

**Faculty of Engineering of University of Porto**



**Framework Design for the Implementation of Innovative  
Pricing Strategies: the role of internal communication and  
change management**

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MASTER THESIS

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## ABSTRACT

Pricing plays a crucial role in the way of making business and generating profit. It has been this way since the beginning of trading days and since then it has only gained more importance in the competitive landscape of today. Despite tradition, the price of a good or service does not need to be a straightforward representation of the good's cost or the price of its competitor products. In fact, pricing gains more importance and brings more value to a company, when it adapts to the perception of value and incorporates Economy's spill-overs. This is pricing innovation.

For this reason, companies, especially the larger ones, are concerned about appropriating this extra value that they could be earning from having the correct, innovative, pricing strategy in place. The first step for this change is to understand how to improve and how to shift from the previous pricing strategy to the new one (i.e. defining the new pricing strategy). Then, the final threshold that separates a non-adapted company to one running on innovative pricing is the implementation of this pricing strategy.

The literature shows that this implementation is not easy, there are many critical issues in each step of the way and many times the projects even fail completely to be implemented. This research aims to take one step further into the understanding of why does this happen, what are the critical issues and how is it possible to overcome it, by planning for its success. With the objective of minimizing the issues that large-scale companies face when implementing innovative pricing strategies, the researcher looked for ways to create a proactive approach to the problem. This was done by searching to incorporate internal communication and change management practices into the designing of a framework for the implementation of innovative pricing strategies, which minimizes the issues large-scale companies face.

At the end of this research, this framework is provided, after being built with solid data from the literature, applied to a case study within a large-scale company, validated with two open interviews with relevant stakeholders within the company and finally, evaluated and redefined to include the learnings from the process.

**Keywords:** *Innovative pricing, pricing implementation, pricing strategy, change management, change communication, framework pricing implementation*



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# 1. CHAPTER: INTRODUCTION

Pricing exists since the beginning of trading days, when merchants exchanged surplus goods for the goods in need (Smith, 1776). Since then, the concept of price has evolved in many ways, comprising both the idea of value and exchange mechanism (Bruck, 2010). However, as much as the concept of price has progressed over the years, the way of doing business has changed significantly more, creating the opportunity and necessity for pricing innovation. This is reflected the best in the context of large-scale companies (companies with annual global revenue of more than US\$1 billion), as research has shown that the larger the size of a company, the higher they prioritize internally the subject of pricing (Global Data, 2017).

The opportunity for pricing innovation is demonstrated by many scholars, including Hinterhuber (2014) who suggests that innovation in pricing is a “company’s most powerful source of competitive advantage”. However, pricing is a dynamic, complex subject, making it a hard area in which to intervene. This is why some companies suffer from a lack of “strategy-execution results” (Liozu, 2017) and fail to implement price strategic changes. These changes are often supported by a variety of change management models and practices, within the organization.

After a primary literature review on renowned change management best practices to implement innovative pricing strategies, it was found that companies are confronted with several critical issues along the implementation process. These issues often lead to a substantial gap between the pricing strategy as defined and as executed, or even to the complete failure of the initiative.

Some clues on how to minimize this gap have surfaced the literature, but there is still effort to be done in order to minimize the gap and guarantee maximal effectiveness of the implementation of an innovative pricing strategy. This research will contribute to that work by highlighting the importance of internal communication and change management, proposing the combining of these two forces, through a framework, to minimize the issues felt and increase success in price strategic changes.

## 1.1 Motivation for the research

The motivation for this research comes from the researcher’s academic background in Economics and previous experience in Marketing and Pricing. Connecting that to the current

Masters in Innovation and Technological Entrepreneurship and an internship within the Global Pricing Excellence team of the Packaging and Consumer Goods business unit of Henkel AG & Co. KGaA, the interest to conduct a research joining the areas of Innovation and Pricing arose. The gap found in the literature and the possibility of further data gathering, and applicable actions within the referred company, reassured the researcher's interest to contribute to the thematic.

## 1.2 Objective of the research

The objective of this research is to minimize the issues that large-scale companies face when implementing innovative pricing strategies. To achieve this, it is the researcher's objective to:

- Design a framework for the implementation of innovative pricing strategies;
  - This tool will be elaborated by resorting to literature's discoveries and advances on pricing processes and innovation, change management best practices and internal communication strategies.
- Apply and validate the tool within a large-scale company (Henkel AG Co GmbH, business unit of Packaging and Consumer Goods);
- Take and integrate the learnings from the case study validation, into the tool, assuring theoretical and practical viability.

## 1.3 Research Questions

Pairing the researcher's motivations with the literature findings, the research questions were defined as follows.

To understand why companies fail to implement innovative pricing strategies:

- *What are the critical issues large-scale companies face when implementing innovative pricing strategies?*

To be able to provide a solution for this problem:

- *How to incorporate internal communication and change management practices into the designing of a framework for the implementation of innovative pricing strategies, which minimizes the issues large-scale companies face?*

With these questions, the author hopes to gather the understanding necessary to accomplish the objectives set for this research.

#### 1.4 Research Methodology

The methodology was conducted for an applied research approach, as the researcher looked to answer the designated problematic by “employing well known and accepted theories and principles” (Rajasekar et al., 2006). The research followed three streams:

- Theoretical: research of literary contributions to the thematic

The literature review followed an incremental approach, centred on the concepts found to be most valuable for this research specific goals. Scopus was used as a platform for this research, filtering the results from the period between 2019-2010 and prioritizing the most recent. Details on this research and key words used can be found in chapter 2.

Three main elements were gathered from this literature research: pricing theory, change management construct and models and the communication planning. These elements provided the foundation for a Design Science approach to the problem (Figure 1), since this was the approach found to be most appropriate for this research, as it attempts to “create things that serve human purposes” (March S. & Smith G, 1995) being this human purpose the creation of a framework to answer to the research question raised.

- Theoretical-practical: development of a theory based framework

Based on the collected facts, an artefact (framework) was developed. This framework reflects the researcher’s understanding of the knowledge available in the literature and models a theoretical approach to solving the problem.

- Practical: application of the framework to a case study

To achieve a comprehensive answer that could not only stand in theory, but also in practice, the framework designed was applied to an exploratory case study. Quantitative research designs, carried out through experiments and surveys, facilitates theory testing, but it also presents limitations, such as self-reporting bias (Kienzler & Kowalkowski, 2017). Therefore, this stream of the methodology focused on the empirical yet qualitative dimension of the problem. The research methods used at this stage were relevant to access the environment and evaluate the model. For this, the researcher resorted to the exploratory case study of the

Packaging and Consumer Goods business unit of Henkel AG & Co, during the implementation of a new Pricing Operating Model (POM). Two open-interviews were carried out with the Global Pricing Manager and the Corporate Director of Corporate Communications (Annex B). The objective of applying this method was the gathering of data about the case and validating the framework's theoretical assumptions. Furthermore, the framework was tested by being applied to one particular work stream of the Pricing Operating Model implementation. Through the feedback and observation of this testing, some learnings were gathered and further added in the framework, refining the final model.

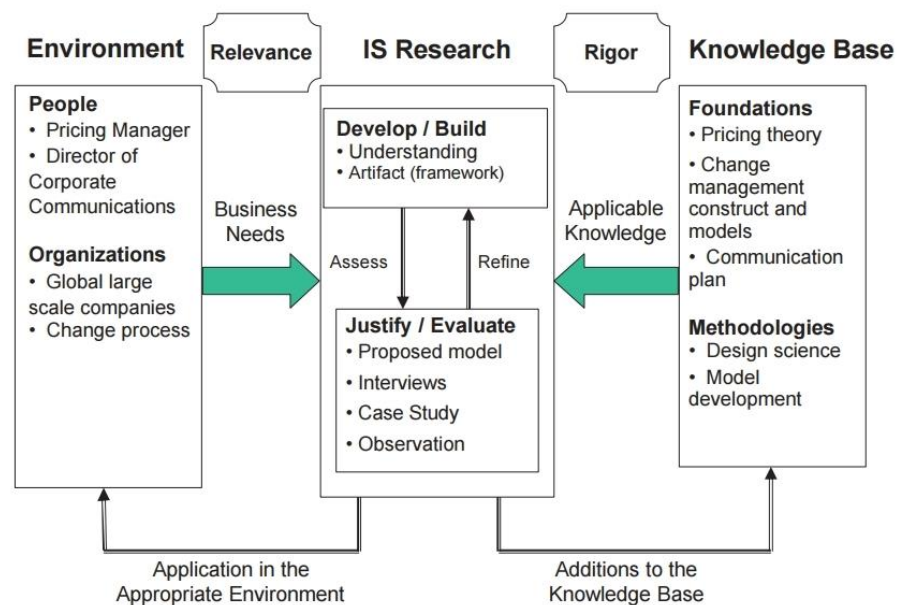


Figure 1- Design Science approach (adapted from A.R. Hevner, S.T. March, P. Jinsoo, and R. Sudha, 2004)

## 1.5 Structure of the document

This document is structured in a way that allows the reader to follow the steps taken by the researcher in the development of this research. Firstly, in chapter 2 it is presented a review of the relevant literature on pricing (chapter 2.1), change management (chapter 2.2) and communication (chapter 2.3).

From this review comes the proposal of a framework (chapter 3) to cover the gap discovered in (2.1). To access the framework applicability as a practical model, as much as a theoretical one, a case study is presented and discussed (in chapter 4).

At the end, the conclusions and main takeaways from this process are argued (in chapter 5).



## 2. CHAPTER: LITERATURE REVIEW

Firstly, the topic of *innovative pricing strategies* was researched through the use of the key words: "innovative pricing" and "pricing AND strategy OR implementation". From this search only the documents that demonstrated palpable relevance for the subject were thoroughly analysed – and can be consulted in the table 12 of Annex A. This selection was conducted by reading the title and abstract of each article, achieving a fair number of literature that covers this research's areas of interest and is therefore relevant. However, from this analysis it was possible to conclude that there is not a single article which, alone or in combination with another, sufficiently covers all areas in the detail the researcher would like to. The outcome of this research resulted in the identification of the literature gap and can be consulted in Table 13 of Annex A.

Secondly, arising from the gap identified, the subject of *change management best practices and implementation models* was researched, using the keywords "change management" and "pricing AND change management".

Thirdly, resulting from the literature collected on the previous subject, the role of *internal communication* in change management caught the researcher's attention and was explored using the key words "internal communication AND change management", "communication AND change management AND pricing" and "change communication" to explore the literature available.

### Literature review structure

In this way, the literature review will expose in 2.1 the relevance and complexity of innovation in pricing; 2.2 how change management is a key factor on implementing successful changes, change management models and critical factors; 2.3 the importance of communication in mitigating change issues.

#### 2.1 Pricing

*"(...) and now there's a whole CRAZE about product development. (...) But this thing called 'price' is really, really important. I still think that a lot of people under-think it through. You have a lot of companies that start and the only difference between the ones that succeed and*

*fail is that one figured out how to make money (...).*” (former Microsoft CEO, Steve Ballmer, 2014).

The concept of price has evolved in many ways, comprising both the idea of value and exchange mechanism, and it is of the utter most importance for marketers (Bruck, 2010). As stated by Buffett (2008) “price is what you pay; value is what you get”, the role of price seems apparent in the purchase decision of a consumer and therefore in a company’s ability to sell its product and generating revenue.

In a survey carried out by Global Data<sup>1</sup>, “pricing management” was found to be the companies’ number 4 priority. When breaking down these results according to the company size (large, medium or small) it was shown that the bigger the company the higher “price management” ranked in the company’s priorities. Furthermore, when asked about their major concerns (multiple-choice questionnaire), 49% of executives responded “pricing market uncertainty”, while 47% “responding to pricing pressure”. From this study the importance and urgency of pricing in business can be seen.

#### 2.1.1 Pricing innovation

With the current evolution of competition in products and markets, the search for innovation in each component of sales intensifies. Innovating in pricing means to move away from the classic approach of charging only for the value a firm creates, to challenging the current pricing structures and testing multiple pricing combinations in the market (Johansson et al., 2012). In this light, cost and competition-based pricing are considered to be non-innovative strategies, while customer value and further derivations (e.g., good-better-best market segmentation, need-based market segmentation, pay-for-performance pricing) are seen as innovative strategy (Hinterhuber & Liozu, 2014).

By taking an innovative pricing strategy, a firm might find a solution to charge not only for the value it creates, but to take advantage of value created by other actors in the economy (i.e. spill overs), who either through ignorance or inability cannot utilize for revenues (Johansson et al., 2012). In this way, according to Johansson et al. (2012), the firm uses “its innovative competence in pricing to endogenously adapt the product definition to a pricing situation rather than, the more common academic problem, the opposite”. The need to do so is seen across

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<sup>1</sup> Global Data “FMCG Business Outlook and Procurement Report Dec 2017–May 2018”; sample: 85 global FMCG industry executives.

industries, from fast moving consumer goods (FMCG) to pharmaceuticals, where the negative consequences of a “single, uniform, price” are emphasized (Mestre-Ferrandiz, et al., 2015), opening the way for an innovative pricing solution.

According to research, companies that innovate on their pricing largely outperform their competitors. Hinterhuber and Liozu, (2014) state there are three main areas of possible intervention when it comes to pricing innovation: strategy, tactics and organization. Taking this into consideration, innovation in pricing strategy can be exactly the much-needed solution for the issue identified above, as it is by the authors defined as “to move from a one-size fits-all pricing policy to a policy with multiple price and value configurations” (Hinterhuber & Liozu, 2014).

The importance of a successful innovative pricing implementation can be seen not only in the literature, but also in empirical cases in companies such as General Electric, Salesforce.com, Allstate, Zipcar and Netflix. In all these companies, overall profits and customer satisfaction increased, potentiated by, not a product innovation, but a pricing innovation (Hinterhuber & Liozu, 2014).

#### 2.1.2 Pricing strategy vs. practice

As previously mentioned, innovation in pricing is achieved by intervening in three critical key areas: strategy, tactics and organization (Hinterhuber & Liozu, 2014). Considering the increasing attention of scholars in price strategy research (figure 8, annex A) and the prime role of said strategies for retailers and manufacturers (Ahmetoglu, Furnham & Fagan, 2014), this is a topic which demands further attention.

The definition of pricing strategy refers to the firms’ generic approaches and applications to pricing, based on cost, competition or customer value (Johansson, et al., 2012). The main difference between price strategies and pricing practices is that price strategies are visible in the market and pricing practices are only visible within the confines of an organization. Price practice can be defined as the processes a company goes through to implement a strategy (Ingenbleek et al. 2013).

The issue with these concepts is that there seems to be a gap between the strategical price setting (price orientation) and practical price getting (price realization).

### 2.1.3 The gap between strategy and practice: pricing implementation

This gap was first seen in the literature in 1973: “The point is that a significant gap exists between the two areas and that this gap must be closed if pricing is to continue to develop as a crucially important area of marketing theory and practice” (Oxenfeldt, 1973). The author goes on adding how “little has been written on innovative approaches to pricing”. Still, 30 years later, also Dutta et al. (2003) comments on how “very little literature, however, has directly addressed the process by which firms set or change prices”. Since then some progresses were made, but there is still “missing, however, is a series of in-depth case studies that provides insights into pricing at the individual level” (Van der Rest, Roper & Wang, 2018).

In the 45 years that followed Oxenfeldt (1973) statement, pricing continually increased its importance and this gap is still yet to be closed. This can be seen in the literature, as stated by Liozu (2017) on how so “many firms do not fully realize the potential of their pricing strategies”, highlighting the “lack of strategy-execution results”.

One reason pointed to why some companies fail at price realization is that pricing is not a static, closed, issue, yet a dynamic and complex subject. Successful pricing is therefore a capability, anchored in a company’s resources, routines (Dutta, et al. 2002) and organization (Hinterhuber & Liozu 2012; 2014). A pricing capability consists of the systems and processes appropriating rents and balancing competing internal interests (Dutta, et al. 2002).

As stated in the literature “the ability to implement pricing strategies is a watermark separating high-performing from merely average companies” (Hinterhuber, 2017). The focus for this research will be on how to bridge the gap between innovative pricing orientation (strategy) and its realization (practice), leading to implementation.

The visuals for this reflexion can be consulted in Figure 2.

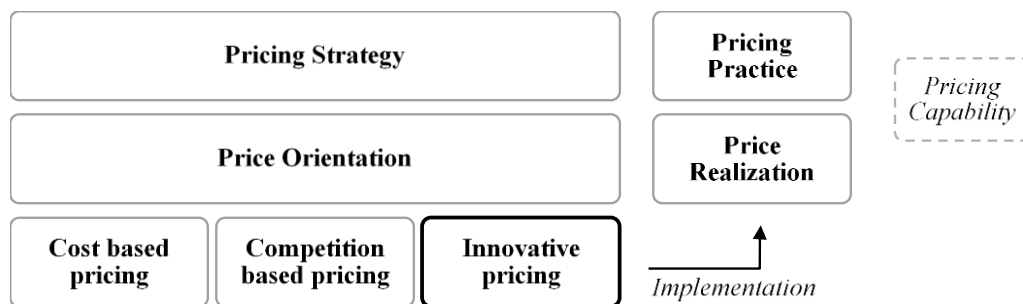


Figure 2- Conceptual context of the gap (adapted from Hinterhuber & Liozu, 2012; 2014)

## 2.2 Change management

*“Innovation in pricing fundamentally engages the organization in a change management process. Engaging the organization to experiment with and implement new pricing approaches is thus a change management process that significantly exceeds the complexity of activities such as changing list prices. (...) From an organizational perspective, innovation in pricing must be treated like an ongoing change management process as opposed to a project with a finite life.”* (Hinterhuber & Liozu, 2014)

Change management can be defined as a “set of basic tools or structures, used to control change efforts. It comprises of process, tools and techniques used in managing change at people-side to achieve business objectives” (ChePa, 2017). Although many companies state to deploy change management practices as a part of their change implementation, in fact they limit management to the project, meeting only the technical aspects of the transformation – which can be a hint for the gap identified above.

Accordingly, project management refers to the application of knowledge, skills and tools to the achievement of a project’s goals (Kerzener, 2017), focusing on the technical side of switching from current to future state, while change management focuses on the human dimension of that transition (Liozu, 2014). The problem with a project-based approach is that the human variable is left aside of the equation, making the very idea of successful pricing impossible, as it is anchored in a company’s resources, routines and organization. For this reason, a change management approach seems to be crucial for the deployment of a new pricing strategy.

### 2.2.1 Change management models

The article “Change Management and Pricing” (Liozu, 2014) highlighted six methodologies used for pricing implementation – the Kotter model, Prosci®, LaMash Global, Boyatzis’ Intentional Change Theory, Pro-Axios’ Organizational Insight Process and McKinsey 7S Framework. From this analysis, Liozu (2014) identified five common concepts across these methodologies – these are displayed on Table 2.

Furthermore, the special issue “Implementing Pricing Strategies” (Hinterhuber, 2018) highlighted other four main theoretical models for implementing change in pricing. On the Table 2, these methods are exposed and compared.

Following Liozu’s (2014) approach on finding the common concepts across methodologies, it is also possible to recognise three common themes across the methodologies presented by Hinterhuber (2018). These were marked on Table 3 using a grey-scale pattern explained in Table 1.

The pattern identified was structured following the CATS model from Kurt Lewin (1947) founding father of change management (Cummings et al., 2015). This model considers the change divided in three different areas: unfreezing (preparing the desired change), change (implementing the desired change) and refreezing (solidifying the desired change).

Following the grey-scale pattern identified, it is possible to conclude that some of the common concepts pointed out by Liozu (2014) in Table 2, are also present in Table 3. This analysis leads to the conclusion that independently on the model chosen, there are certain key areas of the change management process that will always be present, being therefore corner stones of the pricing implementation. Furthermore, it also reveals that there are no relevant incompatibilities between approaches, but in fact a certain association. These conclusions will allow the design of a consolidated change management archetype in 2.2.4, which will be used throughout the research as a mean to reach generalization.

*Table 1 - Colour identification of patterns across change management methodologies*

Colour	Colour description	Change management area
	Light grey	Unfreezing
	Medium grey	Change
	Dark grey	Refreezing

*Table 2- Common change management themes and concepts across 6 change models (adapted from Liozu, 2014)*

<i>Kotter's Model</i>	<i>Prosci®</i>	<i>LaMash Global</i>	<i>Boyatzis' Intentional Change Theory</i>	<i>Pro-Axios' Organizational Insight Process</i>	<i>McKinsey 7S Framework</i>
Change management is not product management					
Change needs to be intentional and focused					
The vision is critical for success					
Change requires leadership support					
Pay attention to all relevant stakeholders					

*Table 3- Change management models and steps (from 1-8) (developed by the researcher, following Hinterhuber, 2018)*

<b>Steps</b>	<b>8-Step Change Model</b> (Kotter, 1995)	<b>The Change Acceleration Process (CAP) Model</b> (Ulrich, 2002)	<b>The Influence Model</b> (Keller & Price, 2011)	<b>Switch Model</b> (Heath & Heath, 2010)
<b>1</b>	Establishing a Sense of Urgency	Leading Change	A compelling story	Establish a sense of urgency
<b>2</b>	Forming a Powerful Guiding Coalition	Creating A Shared Need	Reinforcement mechanism	Create the guiding coalition
<b>3</b>	Creating a Vision	Shaping a Vision	Skills and competency	Developing a vision and strategy
<b>4</b>	Communicating the Vision	Mobilizing Commitment	Role modeling	Communicating the change vision.
<b>5</b>	Empowering Others to Act on the Vision	Making change last		Empowering employees for broad based action
<b>6</b>	Planning for and Creating Short-Term Wins	Monitoring process		Generating short term wins
<b>7</b>	Consolidating Improvements and Producing Still More Change	Changing Systems and Structures		Consolidating gains and producing more change
<b>8</b>	Institutionalizing New Approaches			Anchoring new approaches in the culture

### 2.2.2 Organizational change readiness and capacity

When it comes to implementing these models, one assessment that should be made is whether the organization is ready for the change. There are four critical aspects linked to an organization's *readiness for change* that influence the success of the implementation (Holt, 2007). This readiness is granted by the view of the employees regarding the following factors:

- Own capability of implementing the proposed change (“change-specific efficacy”);
- Suitability of the change to the organization (“appropriateness”);
- Amount of commitment and support given by their leaders (“management support”);
- Benefit that will come from this change (“personal valence”).

Besides an organization *readiness for change*, its *change capacity* is crucial to the deployment of strategic pricing projects (Liozu, 2014). Change capacity is defined by Moilanen (2005) as a “consciously managed organization with “learning” as a vital component in its values, visions and goals, as well as its everyday operations and assessment”. Through a series of in-depth studies and real pricing case studies on the critical influencers of an organization's *capacity to change and adopt pricing programs*, Liozu (2014) identified eight dimensions of organizational change capacity. Their definition can be seen in detail in Table 4.

*Table 4- Dimensions of organizational change capacity (Liozu, 2014)*

<b>Dimension</b>	<b>Description</b>	<b>Author (Year)</b>
<b>Trustworthy leadership</b>	The ability of senior executives to earn the trust of the rest of the organization and to show organizational members the way to meet its collective goals.	Barney and Hansen (1994)
<b>Trusting followers</b>	The ability of the non-executive employees to constructively dissent with and/or willingly follow a new path advocated by its senior executives.	Kelley (1992)
<b>Capable champions</b>	The ability of an organization to attract, retain and empower change leaders to evolve and emerge.	Kanter (1983)
<b>Involved mid-management</b>	The ability of middle managers to effectively link senior executives with the rest of the organization.	Floyd and Wooldridge (1996)
<b>Innovative culture</b>	The ability of an organization to establish norms of innovation and encourage innovative activity.	Kotter and Heskett (1992)
<b>Accountable culture</b>	The ability of the organization to carefully steward resources and successfully meet pre-defined deadlines.	Ulrich et al. (1999)
<b>Effective communication</b>	The ability of the organization to communicate vertically, horizontally and with customers.	Oshry (1996)
<b>Systems thinking</b>	The ability of the organization to focus on root causes and recognize the interdependencies within and outside the organizational boundaries.	Kilmann (1991)



### 2.2.3 Pricing capability

The end of chapter 2.1.3 pointed the concept of *pricing capability* as a determinant of the success in implementing a change in pricing strategy, leading to believe it should be considered in this analysis.

In fact, Dutta et al. (2003) shows that “the lack of pricing capability may pre-empt a firm from appropriating a higher value” and how “a firm that develops this pricing capability can capture a higher share of the value it creates”. According to the author, this pricing capability happens in two moments:

- While defining the new strategy: “within a firm (identifying competitor prices, setting pricing strategy, translating from pricing strategy to price)”;
- When implementing the change with the customer: “vis-à-vis customers (convincing customers on price-change logic, negotiating price changes with major customers)”.

However, according to Liozu (2014), pricing initiatives can fail if the focus on this variable alone is too great.

*“By concentrating on a narrow set of factors, such as, for example, increasing pricing capabilities within their organizations, managers overlook that significant increases in firm performance are possible only when all five factors are addressed conjointly. When, in addition to increasing pricing capabilities, executives also establish a centre-led pricing organization, when the organization has top managers actively championing the pricing function, when the organization has developed capabilities to manage organizational change, and, last, when managers actively develop organizational confidence”.*

From this statement, it is possible to conclude that there are four other additional factors that play a transversal role in the organization and that should be taken in consideration simultaneously to the issue of building of pricing capabilities.

These two literary views, together, provide a richer understanding on how to contribute the success of the strategic pricing implementation.

#### 2.2.4 Mapping the pricing change management process

In order to achieve a comprehensive understanding on the pricing change process as described in the literature, the information found was clustered according to the patterns recognized in 2.2.1. In addition, the key factors for implementing change in an organization, identified throughout 2.2, were also merged into this analysis, resulting in an overview of the pricing change process (mapped in Figure 3).

<i>Proposed change areas (by the researcher)</i>	<b>Awake, lead and convince</b>	<b>Cultivate and empower</b>	<b>Reinforce and consolidate</b>
<i>CAT Model (Lewis, 1947)</i>	<i>unfreeze</i>	<i>change</i>	<i>freeze</i>
<i>Change steps (as seen in 2.2.1)</i>	<ol style="list-style-type: none"> <li>1) Create and convey the need and the urgency for change;</li> <li>2) Convince and inspire (create, shape and develop the vision);</li> <li>3) Create a guiding coalition (lead and role model)</li> </ol>	<ol style="list-style-type: none"> <li>1) Communicate the vision</li> <li>2) Mobilize commitment</li> <li>3) Empower people for the change</li> </ol>	<ol style="list-style-type: none"> <li>1) Generate short term wins</li> <li>2) Support the change with systems and structures</li> <li>3) Monitor and perpetuate change</li> </ol>
<i>Factors of readiness for change (Holt, 2007)</i>	<ul style="list-style-type: none"> <li>- Appropriateness</li> <li>- Management support</li> </ul>	<ul style="list-style-type: none"> <li>- Change-specific efficacy</li> <li>- Personal valence</li> </ul>	
<i>Dimensions of organizational change capacity (Liozu, 2014)</i>	<ul style="list-style-type: none"> <li>- Trustworthy leadership</li> <li>- Capable champions</li> </ul>	<ul style="list-style-type: none"> <li>- Effective communication</li> <li>- Trusting followers</li> <li>- Involved mid-management</li> </ul>	<ul style="list-style-type: none"> <li>- Innovative and accountable culture</li> <li>- Systems thinking</li> </ul>
<i>Factors for increasing firm performance (Liozu, 2014)</i>	<ul style="list-style-type: none"> <li>- Fostering the development of pricing capabilities</li> <li>- Establishing a center-led pricing function in the organization</li> <li>- Top managers actively championing the pricing function</li> <li>- Developing capabilities to manage organizational change</li> <li>- Managers actively develop organizational confidence</li> </ul>		

Figure 3 - Mapping of the pricing change management process (developed by the researcher)

### 2.2.5 Issues with implementing change

Although literature holds many models on how to prepare an organization for change and how to implement it, there are still many organizations that do not succeed at this task.

Hinterhuber (2008) surveyed the obstacles of implementing a new pricing strategy among eighty-one executives from the countries of Austria, Germany, China and the US. From those surveys, the most common obstacles are pointed on Table 5- Obstacles of implementing a new pricing strategy (adapted from Hinterhuber, 2008).

*Table 5- Obstacles of implementing a new pricing strategy (adapted from Hinterhuber, 2008)*

Obstacle	Solution	Specificity of the Obstacle	Research Scope
<b>Assess value</b>	define the pricing strategy realistically, based on the product value to the customer;	Strategy specific	Not actionable
<b>Segment the market</b>	clustering customers according to their wants and needs;	Strategy specific	Not actionable
<b>Communicate that value to the customer</b>	communicating product features and benefits, according to the customer needs;	Strategy specific	Not actionable
<b>Manage sales force</b>	remuneration systems, training and developing, monitoring setting the degree of sales force authority in decision making;	Implementation specific	<i>Actionable</i>
<b>Senior management support</b>	having a leader in the process to guide and support	Implementation specific	<i>Actionable</i>

The obstacles on Table 5 are classified on the right side of the table, by the researcher. This classification was based on the obstacles' specificity (i.e. if they arise from the very definition of the pricing strategy or from the implementation of the change itself) and based on this, whether they fall in this research scope or not. For this research only the "implementation specific" are considered, as it is understood that the former should be addressed within the designing stage of the pricing strategy.

For a better understanding on where these obstacles might appear and what more could be expected, the next phase is to look at each step of the change and analyse what are the possible critical issues. For that, different cases from the literature, but also real-life examples, were

examined, resulting on Table 6. For each issue identified, a potential solution was added, providing significance to the exercise.

*Table 6- Issues with implementing change (developed by the researcher)*

Change area	Change step	Critical Issues	Solutions
Awake, lead and convince	Create and convey the need and the urgency for change	<ul style="list-style-type: none"> <li>- Executives overestimate their success in conveying urgency (Kotler, 1995)</li> </ul>	<ul style="list-style-type: none"> <li>- Manufacture a crisis: “make the status quo seem more dangerous than launching into the unknown” (Kotler, 1995)</li> <li>- Remember “the cost of doing nothing is not zero” - there is a cost to not change (Hinterhuber et al., 2017)</li> </ul>
	Convince and inspire (create, shape and develop the vision)	<ul style="list-style-type: none"> <li>- People are intrinsically reluctant to change (ChePa, 2017)</li> <li>- Executives underestimate the difficulties of driving people to change (Kotter, 1995)</li> </ul>	<ul style="list-style-type: none"> <li>- Share success cases from key partners by promoting conferences with externals (Hinterhuber et al., 2017).</li> <li>- Be conscientious and transparent about the biases of the change (Hinterhuber et al., 2017)</li> </ul>
	Create a guiding coalition (lead and role model)	<ul style="list-style-type: none"> <li>- Executives lack patience (Kotter, 1995) and/or confidence</li> <li>- Individuals in charge are not great leaders (Kotter, 1995)</li> <li>- Lack of ownership</li> </ul>	<ul style="list-style-type: none"> <li>- Choosing and/or training ‘change champions’ (Thompson, Estabrooks &amp; Degner, 2004)</li> </ul>
Cultivate and empower	Communicating the vision	<ul style="list-style-type: none"> <li>- Miscommunicating and/or undercommunicating the vision (Kotter, 1995)</li> <li>- Misalignment in management objectives (Liozu, 2014)</li> </ul>	<ul style="list-style-type: none"> <li>- Frequent communication in multiple channels</li> <li>- Communication specific according to each stakeholder</li> </ul>
	Mobilize commitment	<ul style="list-style-type: none"> <li>- Lack of cooperation between departments (ChePa, 2017)</li> <li>- Scepticism from the stakeholders (Kotter, 1995)</li> </ul>	<ul style="list-style-type: none"> <li>- Communicate through behaviour by giving the example</li> </ul>
	Empowering people for the change	<ul style="list-style-type: none"> <li>- Lack of incentive schemes and guidelines (Liozu 2011)</li> </ul>	<ul style="list-style-type: none"> <li>- Available trainings and people development (Keller &amp; Price, 2011)</li> <li>- Implementation support (Keller &amp; Price, 2011)</li> </ul>

Table 6- Issues with implementing change (developed by the researcher) (continued)

Change area	Change step	Critical Issues	Solutions
Reinforce and consolidate	Generate short time wins	- Buy in is lost without compelling evidence of the improvements created by the change (Kotter, 1995)	- Communicating success cases and provide learnings from the experience
	Support the change with systems and structures	- Inadequacy of the systems in place - Slowness of the new systems implementation	- Coordination between people and systems
	Monitor and perpetuate change	- Declaring success too soon (Kotter 1995)	- Keep reinforcing the new behaviours as part of the organizations culture

At last, from the analysis of Table 6, the statement of Nagle, Hogan and Zale (2011) can be corroborated and used as a rough conclusion:

*“Successful pricing strategy implementation is built on three pillars: an effective organization, timely and accurate information, and appropriately motivated management”.*

### 2.3 Change communication

*“Transformation is impossible unless hundreds or thousands of people are willing to help (...). Without credible communication, and a lot of it, the hearts and minds of the troops are never captured.”* (Kotter, 1995)

Communication is formally defined as the “imparting or exchanging of information by speaking, writing or using some other medium”, by the Oxford dictionary. The type of communication addressed here is the internal, i.e, the information that flows within an organization. In an organizational context, communication gains a new dimension, being not only the simple ‘exchanging of meanings’, but also taking a role on the construction of meaning itself (Simões, 2014). Communication has therefore the power to mould people’s perception on the information in exchange and can be used as a tool to do so.

The importance of communication in a change management process is firstly noticeable by being a step in most change management methodologies (e.g. “communicating the vision” by Kotter, 1995). By communicating closely with the stakeholders about the change, the problem that will be fixed or how the situation will improve, people are more likely to appreciate the

initiative, showing less resistance and more cooperation (Clarke 2013), thus minimizing some of the issues seen on table 6. In fact, stakeholders' perception of the *communications climate* is one of the elements positively related to the factors influencing an organizations' *readiness for change* (Holt, 2007) seen on Figure 3 – one of the requisites of a successful implementation.

Clarke (2013) categorises communication as one of the 3 C principles of change management: Context, Communication and Commiseration. Communication is seen in this light as a mean to commiserate stakeholders regarding their potential feelings and issues about the change. For this, the context is accessed and the communication planned and managed accordingly. The 3C principles of change management can be seen as originally defined by Clarke (2013) in figure 9, Annex A.

Change communication can be held at three different levels: informational, educational and emotional (Lies, 2012, following Kruger, 2009). Depending on the type of action needed, the communication is adapted to fit the issue, as Table 7 shows.

*Table 7- Change communication (adapted from Lies (2012), following Kruger (2009))*

<b>Level</b>	<b>Field of action</b>	<b>Changes and measures</b>
Informational	- Need for change information	- Message of development and provision - Create awareness - Build up understanding
Educational	- Ability to change - Knowledge/types of behaviour	- Culture and mission statement processes - Qualification - Training to ensure the ability to act
Emotional	- Willingness to change - Acceptance - Motivation	- Incentive - Manipulation - Network building on all management levels

Accordingly, it is possible to revisit Table 6- Issues with implementing change (developed by the researcher) and match it with an appropriate communication level. To carry out this exercise, measures from Table 7- Change communication (adapted from Lies (2012), following Kruger (2009)) were applied as suggestions on how to take action.

Table 8 - Issues with implementing change and the role of communication (developed by the researcher)

Change area	Change step	Critical Issues	Solutions	Communication level and action
Awake, lead and convince	Create and convey the need and the urgency for change	<ul style="list-style-type: none"> <li>- Executives overestimate their success in conveying urgency (Kotler, 1995)</li> </ul>	<ul style="list-style-type: none"> <li>- Manufacture a crisis: “make the status quo seem more dangerous than launching into the unknown” (Kotler, 1995)</li> <li>- Remember “the cost of doing nothing is not zero” - there is a cost to not change (Hinterhuber, 2017)</li> </ul>	Informational: <ul style="list-style-type: none"> <li>- <i>Create awareness</i> to the current problem that urges solving</li> <li>- <i>Build up understanding</i> regarding the hazards of not changing</li> </ul>
	Convince and inspire (create, shape and develop the vision)	<ul style="list-style-type: none"> <li>- People are intrinsically reluctant to change (ChePa, 2017)</li> <li>- Executives underestimate the difficulties of driving people to change (Kotter, 1995)</li> </ul>	<ul style="list-style-type: none"> <li>- Share success cases from key partners by promoting conferences with externals (Shafer, 2017)</li> <li>- Be conscientious and transparent about the biases of the change (Shafer, 2017)</li> </ul>	Informational: <ul style="list-style-type: none"> <li>- <i>Build up understanding</i> on the benefits of the approach chosen to solve the problem</li> </ul> Emotional: <ul style="list-style-type: none"> <li>- <i>Network building</i> among project supporters</li> <li>- <i>Incentive</i> to join the vision through external cases</li> </ul>
	Create a guiding coalition (lead and role model)	<ul style="list-style-type: none"> <li>- Executives lack patience (Kotter, 1995) and/or confidence</li> <li>- Individuals in charge are not great leaders (Kotter, 1995)</li> <li>- Lack of ownership</li> </ul>	<ul style="list-style-type: none"> <li>- Choosing and/or training ‘change champions’ (Thompson, Estabrooks &amp; Degner, 2004)</li> </ul>	Education: <ul style="list-style-type: none"> <li>- <i>Qualification</i> of people to lead the change</li> <li>- <i>Culture and mission statement</i> immersion for stakeholders</li> </ul> Emotional: <ul style="list-style-type: none"> <li>- <i>Network building</i> on a leading level</li> </ul>

Table 8 - Issues with implementing change and the role of communication (developed by the researcher) (continued)

Change area	Change step	Critical Issues	Solutions	Communication level and action
Cultivate and empower	Communicating the vision	<ul style="list-style-type: none"> <li>- Miscommunicating and/or undercommunicating the vision (Kotter, 1995)</li> <li>- Misalignment in management objectives (Liozu, 2014)</li> </ul>	<ul style="list-style-type: none"> <li>- Frequent communication in multiple channels</li> <li>- Communication specific according to each stakeholder</li> </ul>	Informational: <ul style="list-style-type: none"> <li>- <i>Build up understanding</i> on the vision</li> </ul>
	Mobilize commitment	<ul style="list-style-type: none"> <li>- Lack of cooperation between departments (ChePa, 2017)</li> <li>- Scepticism from the stakeholders (Kotter, 1995)</li> </ul>	<ul style="list-style-type: none"> <li>- Communicate through behaviour by giving the example</li> </ul>	Emotional: <ul style="list-style-type: none"> <li>- <i>Network building</i> between departments</li> <li>- <i>Incentive</i> to act on the change</li> </ul>
	Empowering people for the change	<ul style="list-style-type: none"> <li>- Lack of incentive schemes and guidelines (Liozu 2011)</li> </ul>	<ul style="list-style-type: none"> <li>- Available trainings and people development (Keller &amp; Price, 2011)</li> <li>- Implementation support (Keller &amp; Price, 2011)</li> </ul>	Educational: <ul style="list-style-type: none"> <li>- <i>Training</i> and people development to act on the change</li> <li>- <i>Qualification</i> and support of the people during the change</li> </ul>



Table 8 - Issues with implementing change and the role of communication (developed by the researcher) (continued)

Change area	Change step	Critical Issues	Solutions	Communication level and action
Reinforce and consolidate	Generate short time wins	<ul style="list-style-type: none"> <li>- Buy in is lost without compelling evidence of the improvements created by the change (Kotter, 1995)</li> </ul>	<ul style="list-style-type: none"> <li>- Communicating success cases and provide learnings from the experience</li> </ul>	Informational: <ul style="list-style-type: none"> <li>- <i>Create awareness</i> on the improvements made in each step of the project</li> </ul> Emotional: <ul style="list-style-type: none"> <li>- <i>Manipulation</i> to ensure the continuing of the carried out work (maintain buy-in)</li> </ul>
	Support the change with systems and structures	<ul style="list-style-type: none"> <li>- Inadequacy of the systems in place</li> <li>- Slowness of the new systems implementation</li> </ul>	<ul style="list-style-type: none"> <li>- Coordination between people and systems</li> </ul>	Informational: <ul style="list-style-type: none"> <li>- <i>Message of development</i> of new systems</li> </ul> Educational: <ul style="list-style-type: none"> <li>- <i>Trainings</i> on how to use the new systems</li> </ul>
	Monitor and perpetuate change	<ul style="list-style-type: none"> <li>- Declaring success too soon (Kotter 1995)</li> </ul>	<ul style="list-style-type: none"> <li>- Keep reinforcing the new behaviours as part of the organizations culture</li> </ul>	Informational: <ul style="list-style-type: none"> <li>- <i>Message of development</i> of the project and milestones</li> </ul> Emotional: <ul style="list-style-type: none"> <li>- <i>Incentive</i> to keep the change alive</li> </ul>

Supporting the importance of “timely and accurate information”, for the success of pricing strategy implementation, stated by Nagle, Hogan and Zale (2011), a reflection on the concept of communication planning will be presented next.

### 2.3.1 Change communication planning

An internal communication plan for change is intended to provide detailed benefits of the change, visibility of ongoing executive support, manage stakeholders' expectations and identify and address concerns. In this way, the communication plan is a tool, allowing the organization to find when and what to communicate, maximizing workers acceptance towards the change (O'Sullivan, 2007).

A communication plan is designed according to each organization's specificities and goals, therefore varying in its form and elements. Nevertheless, it is possible to define key elements of a standard communication plan.

- *Stakeholders*

The concept of *stakeholder* in its classical definition comprises all "groups and individuals who benefit, or are harmed by, and whose rights are violated or respected by, corporate actions" (Freeman, 1998). In the current context of this research, this term applies to all groups and individuals affected by the change.

According to Mendelow (1991), these can be suppliers, shareholders, employees, society, customers, government, lenders and competitors. The author also recognizes how insufficient this classification is, being essential to identify key individual stakeholders, i.e. "stakeholders without whom the organization would cease to exist" (Mendelow, 1991). Given the scope of this research, this concept should also be reinterpreted as "stakeholders without whom" the project "would cease to exist".

Resulting from this definition, the project's key stakeholders become a crucial variable to the project's success. For this reason, it is crucial to assess carefully the stakeholders' impact, before, and in order to, correctly interact with them. In order to assess the significance of each stakeholder, Mendelow (1991) suggests an analysis quoted and used by many other authors since, based on the stakeholder binominal:

- Power: stakeholders' ability to affect the change;
- Interest: stakeholders' actual desire to influence the change.

This construct can be built on a two-by-two matrix, and the stakeholders placed according to the quadrant combinations: high interest low power; high interest high power; low interest low

power interest; low interest high power. Given the quadrant in which each stakeholder falls, an appropriate interaction plan can be designed.

This matrix was further developed by Ackermann and Eden (2011) (Figure 4) and will be essential in the stakeholder mapping for the development of the communication plan.

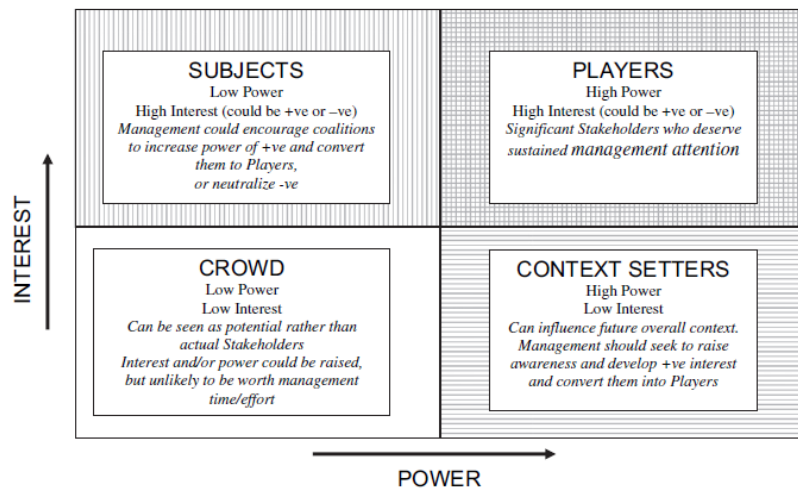


Figure 4- Stakeholder matrix (Ackermann and Eden, 2011)

#### - Message

It is essential to know what to communicate, selecting goal-specific key messages and delivering them throughout the life cycle of the project to the right individuals or groups at the right time (O'Sullivan 2007). Categorically, the goals of internal communication, for a change project, are set to promote stakeholders' commitment to the project, a sense of responsibility and belonging, develop their awareness of environmental change and understanding of the need for the organization to "evolve its aims in response to, or in anticipation of, environmental change" (Welch, 2007). Poor goals definition and communication can lead to misunderstandings, hijacking the change process (Clarke 2013).

The contours of these messages depend heavily on both the phase of the project's deployment (pre-pilot, pilot and implementation stage) and the stakeholders groups affected (in which quadrant of the stakeholders' matrix they fall).

#### - Timeline/frequency

The frequency of the communication depends also on both the stakeholder group and the stage of the project. Following the recommendations of the consulting firm BMGI, projects' updates

should be communicated to the relevant stakeholders at the start and end of each the project phase, at the completion of milestones. Depending on the urgency of the message and the sensibility of the stakeholders involved, a particular frequency or date may be set.

- *Channels*

Having decided on what to communicate and when, it is important to understand how to reach the stakeholders in question in the most effective way. Some resources include internal newsletters, distributed memos, brochures, intranet sites, emails and meetings (O'Sullivan, 2007).

## 2.4 Literature review: closure

Until now, this literature review covered several matters regarding the topics of pricing, change management and communication in change. After finding the gap in the literature in 2.1.3, the chapters 2.2 and 2.3 were carried out, exploring this opening and building up the researcher's understanding of the thematic.

As a result, by chapter 2.2 it became possible to map the pricing change management process and to understand why do companies fail to implement innovative pricing strategies. This understanding can be summarized by Table 6- Issues with implementing change (developed by the researcher) and answers the first research question defined in 1.3:

- *What are the critical issues large-scale companies face when implementing innovative pricing strategies?*

Then, in 2.3, the researcher went further into the discussion, seeking to find ways to solve this problem by gathering knowledge on communication and its role in change.

With this work so far, the researcher considers to have paved the foundation for the designing of a framework, for the implementation of innovative pricing strategies, which minimizes the issues large-scale companies face. This framework design will be carried out in the next chapter, aiming to finally provide an answer to this research's last question.

### 3. CHAPTER: PROPOSAL OF A FRAMEWORK FOR THE IMPLEMENTATION OF INNOVATIVE PRICING STRATEGIES

As previously stated in chapter 1: “pricing is a dynamic, complex, subject, making it a hard area in which to intervene”. This was consequently corroborated in chapter 2, by the review of the literature on the requirements and obstacles of a pricing implementation.

From the findings, the researcher concludes that also a more dynamic and complex approach to the implementation of innovative pricing strategies is required for its success. To fulfil this need, a framework was designed to take into consideration all the critical points reviewed and to provide proactive guidelines for its endurance.

In summary, this chapter aims to provide answer to the last research question:

- *How to incorporate internal communication and change management practices into the designing of a framework for the implementation of innovative pricing strategies, which minimizes the issues large-scale companies face?*

#### 3.1 Conceptual framework overview

Each feature of this framework was thought to fulfil either a gap or a requirement previously found in the researcher’s interpretation of the literature. As any generic model, it is subject to being adapted to each organizational need and project’s specificity

##### 3.1.1 Change management

In chapter 2.2 the research displayed the existence of three areas of change which provide framing to the transformational process. In addition, three steps within each area were signalled, representing different stages of the implementation.

- On the left side of the proposed framework, this segmentation is shown dividing the canvas into three areas: Awake lead and convince; Cultivate and empower; Reinforce and consolidate.

- The three steps belonging to each of these areas are also visible through the numbering (1, 2 and 3) next to the letters A/B/C/D. This number indicates the step within the delimited change area.

### 3.1.2 Change communication

Chapter 2.3 presented the crucial role of communication in change, focusing on how to use it as a response to the issues of change implementation in 2.2. Change communication, in order to be effective, should be planned and include the key elements presented: stakeholders, message, channel and timeline/frequency.

- Within each change management area, a stakeholder matrix can be found. This is grounded on the relevant concepts of power and interest reviewed in 2.3 and the axis kept as a reminder of the exercise.
  - A stakeholder group (A, B, C or D) is attributed to each quadrant, segmented as 1,2 or 3, as previously mentioned, according to the change step of each change area.
  - Inside the stakeholder matrix, there are, as well, the fields “message” and “channel” corresponding to the stakeholder-change step combination
    - The rationale behind this segmentation is that the communication should be planned, not only according to the stakeholder, but also to the moment of the change implementation, as it was seen in 2.2 that each step brings a new issue and requires a different approach.
- On the right side of the canvas, parallel to the stakeholders mapping, a timeline/frequency box was added, finalizing the key communication elements reviewed in 2.3. The goal of this field is to signal the start/duration/end of each campaign and indicate the frequency of the communication in each step.
  - This timeline/frequency box, as it includes each area and step of the change, is an important element for the alignment of the communication to the change management process, guaranteeing that both are in harmony: a step in the change should not be taken without planned communication measures with the involved stakeholders, in order to avoid potential issues.
- At the bottom of the canvas details on the stakeholders should be filled, for a better interpretation of the framework. Each stakeholder group may include more than one

stakeholder, which is why it is important to specify their names/functions and any additional comment.

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Figure 5- Proposed framework for the implementation of an innovative pricing strategy (developed by the researcher)

### 3.2 Framework considerations

By the proposal of the framework above, the final research question is considered answered. However, the researcher is aware that this is a theoretical construct, and therefore wishes to expand its viability by applying it to a practical context. For this a case study was used, as reported in chapter 0.





## 4. CHAPTER: EXPLORATORY CASE STUDY AND DISCUSSION

This exploratory case study was conducted at Henkel's headquarters in Düsseldorf, Germany. At the time, the researcher was engaging with the company as an intern in the Global Pricing Team for the strategic business unit of Packaging and Consumer Goods in the business unit of Adhesive Technologies. This facilitated the information gathering and access to key figures and people, which significantly contributed to the robustness of this research.

### 4.1 Company background and overview

#### *Henkel AG & Co. KGaA*

Henkel was founded in 1876 and is a global company, holding leading positions with sales in its three business units: Adhesive Technologies (47%), Laundry & Home Care (33%) and Beauty Care (19%). Henkel employs more than 53,000 people globally, has 20b€ of sales (2017) and is present in the German stock index DAX (Henkel's website). This information validates Henkel as a large-scale company, therefore fitting the goal of this research.

#### *Adhesive Technologies*

The business unit of Adhesive Technologies (A) is the largest of the company, bringing sales of over 9b€ (data of 2017). The unit is divided in 5 Strategic Business Units (SBUs): Packaging and Consumer Goods (AI) (32%); Transport and Metal (AT) (23%); Consumer, Craftsmen and Building (AC) (19%); General Industry (AG) (15%) and Electronics (AE) (11%).

Each SBU comprises several Steering Units (SUs). In the case of AI, seven different SUs can be found: Tapes and Labels (AIH), Personal Hygiene (AIN), Building and Construction (AIC), Food and Beverages (AIF), Paper Solutions (AIP), Flexible Laminates (AIL) and Sports and Fashion (AIS).

Each of the seven SUs that account for AI are ruled by somewhat different business models and display different processes and practices. Furthermore, these processes vary not only depending on the SU but also on the sales region: Europe (EU), Asia Pacific (APAC), India, Middle East and Asia (IMEA), North America (NA), Latin America North (LAN) and Latin America South (LAS) (Figure 10, Annex A).

Combining all these variables, it is possible to understand the complexity in question, when looking at the seven-by-six matrix of 42 different region-steering unit combinations within AI (Figure 11, Annex A).

## 4.2 The Implementation of a Pricing Operating Model (POM)

### *Henkel 2020+ initiative*

*“We want to become more customer-focused and make the company even more innovative, agile and digital, in both our internal processes and our customer-facing activities. In addition, we are further promoting sustainability in all our business activities.”* (Henkel’s website)

In 2016 Henkel defined a set of goals to be achieved by 2020. To achieve these goals, four strategic priorities were defined, with consequent sub strategic priorities, strategic elements and steps. An overview of the initiative can be seen below in Figure 6.

Overarching Initiative	Strategic Priorities	Sub Strategic Priorities	Strategic Elements	Steps
Henkel 2020+	Fund Growth	Net Revenue Management	Pricing Operating Model	Pre Requisites
				Set Up
				Full Implementation
			Analytics and Pilots	
			Data & Systems	
			Change Management & Capability	
		Value-creating Resource Allocation		
		Most Efficient Structures		
		ONE! Global Supply Chain		
		Increase Agility		
	Accelerate Digitalization			
	Drive Growth			

*Figure 6 – Overview on the initiative: contextualization of the POM project*

Under the strategic priority of Fund Growth, the Net Revenue Management (NRM) project was launched, laying the foundations for the introduction of a new Pricing Operating Model (POM) within Adhesives Technologies.

NRM, as defined by the consulting group Ernest and Young (EY) “aims to optimize commercial levers and governs trade spend, using analytics and insights, to drive sustainable, profitable revenue growth”. The POM comes in this was as a vehicle within the initiative to capture impact, making it repeatable and sustainable, achieving pricing excellence.

### *Pricing Operating Model in AI*

Despite the organization's complexity, as a global, unified company, the initiative was introduced, rolled out and harmonized throughout all Adhesives Technologies business unit. To achieve this, a cross-function team from the overarching Adhesives Technologies department (AX) was introduced, to liaise with each SU and oversee the project, guaranteeing consistency and coherence across SUs.

In AI, the marketing and pricing teams (on a global and regional level) carried out this project, in close interaction with the teams of sales, product development, and other relevant stakeholders.

The development and testing of the POM concept started in 2017 and is expected to reach full implementation by 2020. The implementation includes three different steps: assessing and assuring the compliance with established pre-requisites, the setup of the model across SUs for implementation and the full POM implementation.

#### 4.3 Application of the framework for the implementation of an innovative pricing strategy to the case study

In order to apply the proposed framework to this particular pricing implementation, the researcher defined a two-step validation process to assess the fit of the case study.

Remembering the research question: *“how to leverage the role of internal communication, in change management, to successfully implement innovative pricing strategies in the context of a large-scale company?”* the following flags were raised:

- a. Company strategy: validating the assumptions and the approach taken in a theoretical way; verify the alignment of the framework with the overall change management and communication strategies led by Henkel.
- b. Project specificity: validating the applicability of the framework to the implementation of the specific POM project chosen as a case study for an innovative pricing strategy; accessing the framework fit and possible future adjustments.

In order to validate these points, the researcher identified the resources within the organization who could provide the best insight on the subjects – the Corporate Director of Corporate Communications (for flag a.) and the AI Global Pricing Manager (POM's project manager) (for flag b.). To obtain their input, two open interviews were carried out.

#### 4.3.1 Validating the company (change communication and management strategy)

In the interview with Henkel's Corporate Director of Corporate Communications, great insight on Henkel's management of change was obtained, capturing some of Henkel's best practices and experiences with its communication. From this dialogue, the important role of communication was highlighted, confirming the alignment of the researcher's assumptions with the strategic approach taken by Henkel and bringing sturdiness to the framework proposed. Some key takeaways from this interview were transcribed below on Table 9.

*Table 9- Key takeaways from Interview 1 (full in Annex B)*

#	Question topics	Answers	Framework fit
1	Important aspects of change communication	"Being clear on the communication objectives and the outcome of the communication on the change project is very important"; "I think a key prerequisite of important projects is that you are able to explain to the most effected people why they should change"	<ul style="list-style-type: none"> <li>✓ Mapping of the pricing change management process (figure 3)</li> <li>✓ 3.1.2 Change communication (the relevance of goal-specific key messages)</li> </ul>
2	Stakeholder mapping	"And what we normally do is, we try to have a clear stakeholder matrix so that we have a definition of the key target groups (...) What are the key messages to reach them? What is the desired outcome? (...) what is the change in behaviour we would like to achieve? And then how to communicate to them, how to reach them, with which channels for example. (...) I think that kind of stakeholder mapping is very crucial to derive a specific communication based on that"	<ul style="list-style-type: none"> <li>✓ Figure 4- Stakeholder matrix (Ackermann and Eden, 2011)</li> <li>✓ 3.1.2 Change communication (key elements of a communication plan)</li> </ul>
3	Change management theoretical models	<p>[About the CATS model of Lewin (1991)] "I think every model, which is kind of referring to the main characteristics of a change (...) basically this is how to reach a change in behaviour and therefore it definitely makes sense."</p> <p>"There is one German change expert, Kotter, (...) he has a different, let's say, success factors of change projects. I think this is something which is almost like a blue print which we refer to all the time too, because it really is good in terms of change communication (...) this is for us really really an applicable tool to the business here, absolutely"</p>	<ul style="list-style-type: none"> <li>✓ Figure 3 - Mapping of the pricing change management process (developed by the researcher)</li> <li>✓ Table 3- Change management models and steps (from 1-8) (developed by the researcher, following Hinterhuber, 2018)</li> </ul>
4	Key success factors in communication	"top management buy in"; "cross-functional project team steering the project"; "never underestimate the need for communication"; "and what is also important is that you address both the rational as well as the emotional part of the people"; "and celebrating successes at the end it's always important"	<ul style="list-style-type: none"> <li>✓ Table 6- Issues with implementing change (developed by the researcher)</li> </ul>

#### 4.3.2 Validating the project (pricing operating model)

An introduction to the project's context and goals has already been opened in chapter 5.2. In order to confirm the alignment and apply the framework designed in chapter 4 to the POM project, it is necessary to collect more insights about the project. For this end, the researcher interviewed the AI Global Pricing Manager, (POM project's manager).

Some key takeaways from this interview were transcribed below on Table 10.

*Table 10 - Key takeaways from Interview 2 (full in Annex B)*

#	Questions topics	Answers	Framework fit
1	Support for the case study scope delimitation	<ul style="list-style-type: none"> <li>- "To me, that's why it was hard to put it like this "communication plan" because there's an overarching communication, but each work stream has a different group of stakeholders. (...) to get there [full project implementation], there's a lot of little work streams running at each time"; "within a work stream, there's always a specific group of stakeholders. It is different. There is some linkage made, but there is not a lot of overlap between the specific stakeholders"</li> <li>- "What is the pricing at very high level pricing strategy, concept, and so to be able to do this, what is it that we need to do?" and highlighted that, "okay, it's the master data that is the crucial cornerstone of the whole thing"</li> </ul>	✓ Framework delimited focus on one work stream: Master Data Clean up
2	Stakeholders	<ul style="list-style-type: none"> <li>- AI ExCom</li> <li>- Global Marketing Development Managers</li> <li>- Regional Marketing Heads</li> <li>- Pricing Team</li> <li>- Others (relevant stakeholders for operational tasks)</li> </ul>	✓ 3.1.2 Change communication: stakeholder matrix included in the framework
3	Channels	<ul style="list-style-type: none"> <li>- Town hall - publishing of the full year results</li> <li>- Building's lobby – display with a movie</li> <li>- Project's website</li> <li>- Emails</li> <li>- Meetings and conference calls</li> <li>- Presentations</li> </ul>	✓ 3.1.2 Change communication: channels, within the stakeholder matrix, included in the framework,
4	Timeline	<ul style="list-style-type: none"> <li>- First concept presentation: 4Q 2017</li> <li>- Official kick off of Master Data Clean-up work stream: June 2018</li> <li>- Second stage kick off of Master Data Clean-up work stream: September 2018</li> </ul>	✓ 3.1.2 Change communication: timeline, according to stakeholder and 5project step, included in the framework

The first remark that was possible to take from the full Interview 2 (Annex B), is regarding the fit of the new POM to the scope of this research (innovative pricing strategies). In light of the definition of innovative pricing, as described in chapter 2, it is considering that the new POM fits the scope of this research, as it shifts the organization “away from the classic approach of charging only for the value a firm creates, to challenging the current pricing structures and testing multiple pricing combinations in the market” (Johansson et al., 2012).

Secondly, given the complexity of the POM project, it was decided that the framework should be applied to just one of its work streams. From the interview with the project manager (first take away from Table 10), and the researcher’s involvement in the company, the scope for framework application was delimited to the Pre-Requisites stage of the POM implementation, in particular, to the Master Data Clean-up work stream. This decision was taken using the criteria: time (running at the time of the research) and relevance (highly important for the POM implementation). The project manager further supported the approach.

With the data gathered from the two interviews conducted, and the realignment of the framework focus, it is now possible to apply the framework designed to the case study with confidence.

#### 4.3.3 Framework application

The framework was applied by the project manager (hereafter addressed as “planner”) following the steps detailed in chapter 3.1 Conceptual framework overview. The process taken to apply the framework to the case study is detailed in the following sub chapters and the final construct can be consulted Annex D.

##### *4.3.3.1 Change management*

##### *Awake, lead and convince*

It was understood that the first step of the change was already carried out within the actions that followed the first concept presentation in 4Q 2017. As explained in Interview 2, with the unveil of the POM project the steps of 1. ‘creating and conveying of the need and urgency for change’, the 2. ‘convincement and inspiration’ and the 3. ‘creation of a guiding coalition’ had been already taken:

*“The very first communication on master data was when I presented the concept [of the pricing operating model] (...) so it was last Q4 2017 that this was first discussed. Then in the global marketing LTM in January. Again, it was flagged that this work will be coming, so regions please prepare and we reviewed the resource estimate that we would need for this project.”*

- Extracted from Interview 2 (Annex B)

### *Cultivate and empower*

As previously referred, the vision for this work stream of the project had been already communicated when the project was first presented (4Q 2017), but just to certain stakeholders (AI ExCom, global MDMs, Regional Marketing Heads and Pricing Team).

For the other stakeholders, the step 1. “communicating the vision” was only taken later, at the same time of the work stream kick-off, i.e., when step 2. “mobilize commitment” arrived by the end of May 2018 for all stakeholders.

*“Until that point, they did not know anything [the other stakeholders], but at this kick-off meeting, the whole agenda of the kick-off was "okay, let's go back to basics. What is it that we are doing here? What is the context of the pricing operating model? Why are we doing the pricing operating model? What is the change that we want to achieve by the end? (...) and highlighted that, “okay, it's the master data that is the crucial cornerstone of the whole thing”.”*

- Extracted from Interview 2 (Annex B)

Step 3. “empowering people for the change” coincided with “mobilizing commitment” at the same kick off meeting.

### *Reinforce and consolidate*

To accomplish the step 1 of this stage, “generate short time wins”, the work stream was broken down into two phases, one from end of May 2018 until September 2018 and the second one from September 2018 until December 2018. For the second phase, victories and learnings from the previous phase will be communicated, increasing the buy in for the second batch of change.

*“There may be a second phase which will be kicked off in September and for that I will probably repeat exactly the same process that I took for the first part. So there will be again, basically with each and every region there will be a kick-off call where I will explain the whole context*

*why it's important and what are the new fields that we need to clean and it will be done at a different level. Different fields. I think it's going to be exactly the same people [stakeholders]”.*

- *Extracted from Interview 2 (Annex B)*

As described above, the procedure planned for the communication replicates the first one, repeating the steps carried out in the stage “Cultivate and empower”.

Regarding step 2. “systems and structures”, these efforts have been taken place in parallel with the “Cultivate and empower stage”, making sure the stakeholders have the right support and systems to make the change effective. Communication on this level is schedule for the end of each phase of the work stream.

To follow step 3. “monitor and perpetuate change”, it will be constantly inquired and recorded feedback from the stakeholders, keeping an overview of the whole project and adjusting the communication accordingly.

*“(...) in addition to that I also send them two or three emails summarizing where we are today, what is the process, kind of what is going to be their role, what they need to do by September to make it work”.*

- *Extracted from Interview 2 (Annex B)*

#### *4.3.3.2 Change communication*

##### *Stakeholders*

The first step is to identify the relevant key stakeholders for this work stream. These can be taken from *Table 11*: AI ExCom, Global Marketing Development Managers, Regional Marketing Heads, Pricing Team and Others (relevant stakeholders for operational tasks).

After their identification, remains the exercise of correctly placing them into each area of the Figure 4- Stakeholder matrix (Ackermann and Eden, 2011). To protect the stakeholders’ privacy and not offend sensibilities, the stakeholder placement will not be carried out and displayed.



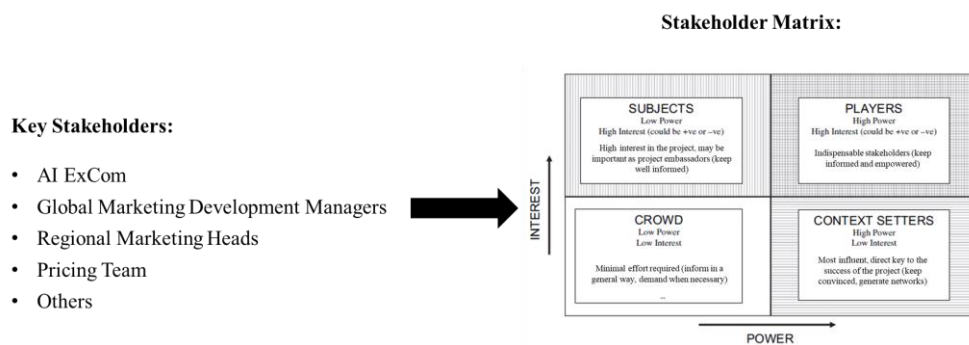


Figure 7- Stakeholder identification and mapping (developed by the researcher, adapted from figure 4)

#### - Message and Channels

The messages and channels proposed are designed to reflect the stakeholders' segmentation from Figure 7. In addition, Table 8 - Issues with implementing change and the role of communication was taken as a guideline to frame the specific goals and steps of the project, either already taken or programmed. This information was retrieved from the exploratory research as seen in 4.3.3.1, regarding the POM and the Master Data Clean-up implementation.

#### - Timeline/Frequency

The timeline and communication frequency inputs come majorly from Interview 2, where a clear timeframe of the project was gathered. This information is used in the frameworks timeline section, demarked by an "x".

As referred in the beginning of this chapter 4.3.3, the output from this exercise can be seen in detail in Annex A.

### 4.4 Discussion on the case study findings

From the observation of the application of the proposed framework to the Master Data Clean-up work stream of the POM project, the following takeaways were gathered.

1. The framework alone was not enough to guide the planner through the planning of the communication.

As a result, the framework was changed to include the steps within each change area on the left sided panel of the canvas. In addition, two more tools created:

- The first additional tool (deliverable 2) concerns the communication approach to the change management most critical issues, within each step. This is the table already

presented as Table 8. This exercise reflected the importance of having that construct in mind, in order to fill in the framework's field "message" wisely, adapting the kind of communication level needed in each step of the change.

- The second additional tool (deliverable 3) is a refined stakeholder matrix. During the application of the framework, the planner presented some difficulties knowing whom to place in each quadrant and how to differentiate the communication actions. This led to the conclusion that the stakeholder matrix should be clearer to provide better guidance on how to cluster the stakeholders and therefore how to communicate with them. Consequently, a second, adapted, version of Figure 4- Stakeholder matrix (Ackermann and Eden, 2011) was designed and provided to further support the mapping (Figure 15, Annex C). To come to this matrix, the matrix already in use by Henkel (Figure 12, Annex A) was also taken into account, in order to harmonize the process of analysis.

With the addition of these two materials, the planner did not exhibit any further difficulties in regards to the framework.

2. The framework exercise highlighted critical issues in past and current planned communication.

The differences between how the stakeholders groups A, B and D were handled, were, at sometimes not so obvious. In fact, as captured in 4.3.3.1, this communication often took place at the same time and form. The literature review allows the researcher to suggest that the strategies taken should be more differentiated according to the stakeholder grouping – as again, from the feedback gathered in Interview 2, often, the communications were done all at the same time, with zero or residual level of stakeholder personalisation.

Furthermore, the framework displayed a major overlapping of change management steps that should, as literature shows, follow a certain order. One flagrant example of this overlap is the communication of all three steps of "Cultivate and empower" stage at the same moment, for stakeholder C.

The takeaway displayed in 2. positions this framework not only as a planning tool, but also as a monitoring device for the projects change management and communication approach.

## 5. CHAPTER: CONCLUSION AND FUTURE WORK

With the exploratory case study carried out in chapter 1, the researcher expands the theoretical viability of the designed framework to a practical scenario of an innovative pricing implementation, within a large-scale company. After accessing the context, evaluating the model and redefining the artifact, the researcher concludes this research by reaching the objectives proposed in 1.2 and answering the research questions asked in 1.3.

Revisiting the research objectives and questions:

- *What are the critical issues large-scale companies face when implementing innovative pricing strategies?*

This question was concluded in chapter 2 and summarized in the Table 6- Issues with implementing change (developed by the researcher). This point represented the first step towards the main objective of the researcher, to “minimize the issues that large-scale companies face when implementing innovative pricing strategies”. It did so by contributing to the researcher’s understanding of the problematic, laying the foundations to the designing of the framework for the implementation of innovative pricing strategies.

- *How to incorporate internal communication and change management practices into the designing of a framework for the implementation of innovative pricing strategies, which minimizes the issues large-scale companies face?*

This second question was partially concluded in chapter 3 (Figure 5) and further finalized and redefined in chapter 4 (Figure 13, Annex C), with the addition of extra elements to the framework and 2 more deliverables to the tool (Figure 14 and Figure 15, Annex C).

At the same time, by concluding the design of the framework, the researcher accomplished the remaining research objectives. These are: design a framework for the implementation of innovative pricing strategies; apply and validate the tool within a large-scale company (Henkel AG Co GmbH, business unit of Packaging and Consumer Goods); take and integrate the learnings from the case study validation, into the tool, assuring theoretical and practical viability.

## Limitations and future work

It can be pointed as a limitation for this research the fact that the exploratory case study catered for only one company, in a specific project work stream. In order for the applicability of the framework to be properly generalized, a wider study with multiple companies and pricing projects could be undertaken, surely raising relevant contributions for the continuous development of the framework. Furthermore, it would be relevant to explore in future analysis the integration of the multiple work streams of a project in the same framework.

## Final Statement

*“In reality, even successful change efforts are messy and full of surprises. But just as a relatively simple vision is needed to guide people through a major change, so a vision of the change process can reduce the error rate. And fewer errors can spell the difference between success and failure.”* (Kotter, 1995)

This research builds on the previous statement that *a vision of the change process **integrated with a strategic vision on the communication** can even further reduce the error rate*, thus increasingly contributing for the change implementation success.

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## ANNEX A – Support

### Chapter 2: LITERATURE REVIEW

*Table 11- Literature review innovative pricing strategies*

Nº	Title	Authors and year of publication	Key concepts and researcher's remarks	Further research
1	Why is a change of company pricing policy so hard to implement?	(Rest, Roper & Wang, 2018)	Resource-based view; capability; value-based; pricing; sales; revenue management; <i>This paper highlights the role of intangible resources on the successful shift in price orientation.</i>	How the strategic resource allocation or investment policy of an organization affects the development of pricing resources; how do managers overcome their problems and to what extent this includes experimental learning processes especially in the context of sales-revenue relationships
2	The micro-foundations of pricing strategy in industrial markets: A case study in the European packaging industry	(Hallberg, 2017)	Human capital; Judgement; micro-foundations; pricing strategy; value appropriation; <i>The author reflects on the cost and complexity of pricing - in the European packaging industry - and on how its implementation is directly related to the company's capabilities (in particular its assets and routines).</i>	
3	An assessment of innovative pricing schemes for the communication of value: is price discrimination and two-part pricing a way forward?	(Hertzman, Miller & Tolley, 2017)	Innovative pricing; price discrimination; 2PP; two-part pricing; pricing scheme; pharmaeconomics; biopharma; <i>This paper portrays the emergence of financial-based and performance-based innovative pricing schemes for new expensive medicines, highlighting the use of price discrimination.</i>	
4	Elevating the cost of doing nothing: an interview with Mark Shafer	(Hinterhuber, Pollono & Shafer, 2017)	Pricing; pricing strategy; revenue management; implementation; analytics; psychological traits; <i>Discussion of the implementation of revenue management and pricing at Disney, from the perspective of the company's Senior Vice President of Revenue and Profit Management.</i>	

Table 11- Literature review innovative pricing strategies (continued)

N°	Title	Authors and year of publication	Key concepts and researcher's remarks	Further research
5	Pricing strategy: A review of 22 years of marketing research	(Kienzler & Kowalkowsk, 2017)	Pricing strategy; literature review; content analysis; marketing; takeaways; <i>The authors investigate the development and current state of pricing strategy research from 1995 to 2016. This research concludes with a set of actionable takeaways for future pricing research.</i>	Optimal directions for PSR (Pricing Strategy Research)
6	Designing salesforce compensation programs to improve pricing execution	(Liozu, 2017)	Pricing, pricing execution; sales force compensation; change management; <i>The author displays the gap between price orientation and execution, focusing on the role and influence of sales force compensation in pricing execution results.</i>	The direct relationship between price-driven salesforce compensation plans and firm performance; The role of top sales leadership in driving changes to salesforce compensation plans.
7	The importance of transparency signals in à la carte pricing	(Robbert & Roth, 2017)	À la carte pricing; customized services; partitioned pricing; price transparency; add-on pricing; price bundling; drip pricing; <i>This paper reflects on “à la carte” pricing schemes (an innovative pricing technique), from the consumer’s perspective and shows the importance of transparency in the implementation of such pricing scheme.</i>	Evaluation of implementing mixed pricing schemes
8	Quantifies value first, then price: realizing the positive impact of a value pricing strategy	(Snelgrove, 2017)	Value-based pricing; value-based selling; value quantification; pricing strategy; pricing strategy implementation; quantified value proposition; <i>The author explores the importance of factors as people, processes, technology and company’s culture on the creation of a value pricing culture and methodology.</i>	
9	A fuzzy multiple-attribute decision making model to evaluate new product pricing strategies	(Baykasoğlu, Gölcük & Akyol, 2015)	New product pricing; fuzzy cognitive maps; hierarchical fuzzy TOPSIS- MADM; <i>The article provides a model for new product price setting, originated from the difficulty in determining pricing strategy for new products.</i>	

Table 11 - Literature review innovative pricing strategies (continued)

Nº	Title	Authors and year of publication	Key concepts and researcher's remarks	Further research
10	Pricing practices: A critical review of their effects on consumer perceptions and behaviour	(Ahmetoglu, Furnham & Fagan, 2014)	Pricing practices; critical review; behavioural economics; consumer psychology; <i>The authors explore the impact of innovative pricing strategies on consumer's perceptions and behaviour and how are sellers able to influence customer perceptions and purchasing decisions through price.</i>	Further research on strategy and implementation of "free" offers, bait pricing and time limited offers; effect of individual differences upon the susceptibility to pricing practices; In-vivo studies; digital consumption behaviour study.
11	Is innovation in pricing your next source of competitive advantage?	(Hinterhuber & Liozu, 2014)	Pricing, innovation; competitive advantage; pricing strategy; pricing tactics; pricing organization; firm performance; <i>This article portraits innovation in pricing as "a company's most powerful source of competitive advantage", presenting a roadmap for innovation in pricing.</i>	
12	Price strategy implementation	(Berger, Grigoriev & Loon, 2011)	Pricing problems; computational complexity; local search; mixed integer program; <i>The authors propose a mathematical approach to the minimum time needed to implement a new pricing strategy, at the same time analysing the overall revenue maximization during implementation time.</i>	
13	Pricing strategies and pricing capabilities	(Johansson, Hallberg, Hinterhuber, Zbarackid & Liozu, 2012)	Pricing strategies; pricing capabilities; value-based pricing; capabilities; resources; <i>The article exposes the challenges found in literature that firms face while implementing value-based pricing strategies and the importance and challenges of developing pricing capabilities.</i>	Research on the intersection between pricing strategies and resources; intersection of pricing strategies and capabilities in the B2C segment.
14	Relating price strategies and price-setting practices	(Ingenbleek et al. 2013)	Construct pricing practices; price strategies; cost-based pricing; value-based pricing; competition-based pricing; pricing policy; management strategy; <i>The article shows the relationship between price strategies and price-setting practices, how firms tend not to engage in any particular pricing strategy present on the literature and fail to pursue in appropriate implementation.</i>	Applied research on medium and large size companies; Research on the reason firms may not pursue a price strategy present in pricing theory; organizational learning and pricing capabilities.

*Table 11 - Literature review innovative pricing strategies (continued)*

Nº	Title	Authors and year of publication	Key concepts and researcher's remarks	Further research
15*	Pricing process as a capability: a Resource-based perspective	(Dutta, et al. 2003)	Pricing; resource-based view; capability; organizational routines; ethnography; <i>The authors evaluate how firms set or change prices, through the use of resources, routines, and skills.</i>	Exploring the intersection of pricing strategies and capabilities

\*this article was found posteriorly to the research, while analysing several other sources.

From 2. on the gap found in the literature:

*Table 12- Identification of the literature gap*

<i>Article</i>	<i>Strategy</i>	<i>Implementation</i>	<i>Innovation</i>
1. Why is a change of company pricing policy so hard to implement?		X	
2. The micro-foundations of pricing strategy in industrial markets: A case study in the European packaging industry	X	X	
3. An assessment of innovative pricing schemes for the communication of value: is price discrimination and two-part pricing a way forward?			X
4. Elevating the cost of doing nothing: an interview with Mark Shafer		X	X
5. Pricing strategy: A review of 22 years of marketing research	X		
6. Designing salesforce compensation programs to improve pricing execution		X	
7. The importance of transparency signals in à la carte pricing			X
8. Quantifies value first, then price: realizing the positive impact of a value pricing strategy	X		X
9. A fuzzy multiple-attribute decision making model to evaluate new product pricing strategies	X		
10. Pricing practices: A critical review of their effects on consumer perceptions and behaviour	X		
11. Is innovation in pricing your next source of competitive advantage?	X		X
12. Price strategy implementation	X	X	
13. Pricing strategies and pricing capabilities	X		
14. Relating price strategies and price-setting practices	X	X	

From 2.1.2 on the increasing attention of scholars in price strategy research:

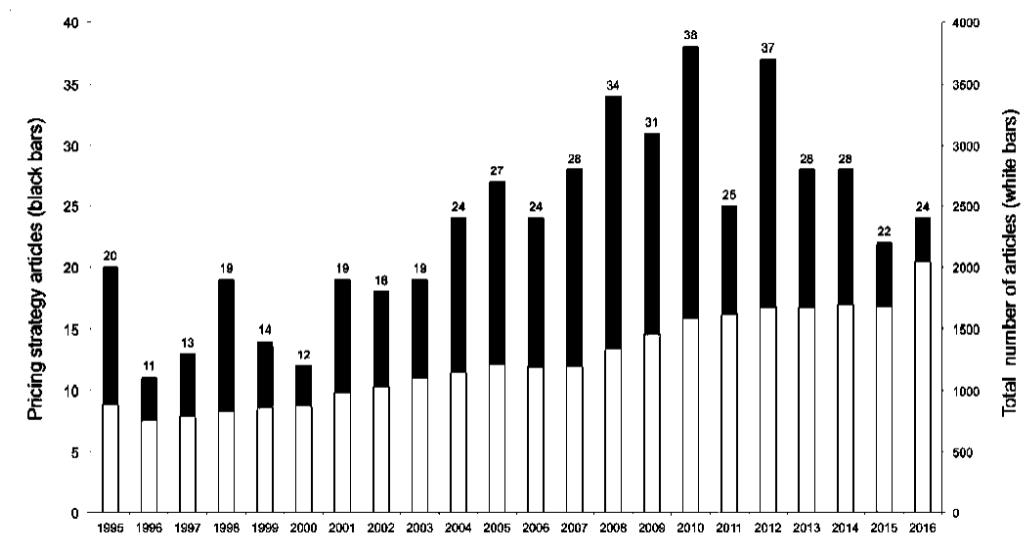


Figure 8- Price strategy research and total number of published articles by year, 1995-2016 (Kienzler & Kowalkowski, 2017)

From 2.3 on the 3C principles of change management from Clarke (2013):

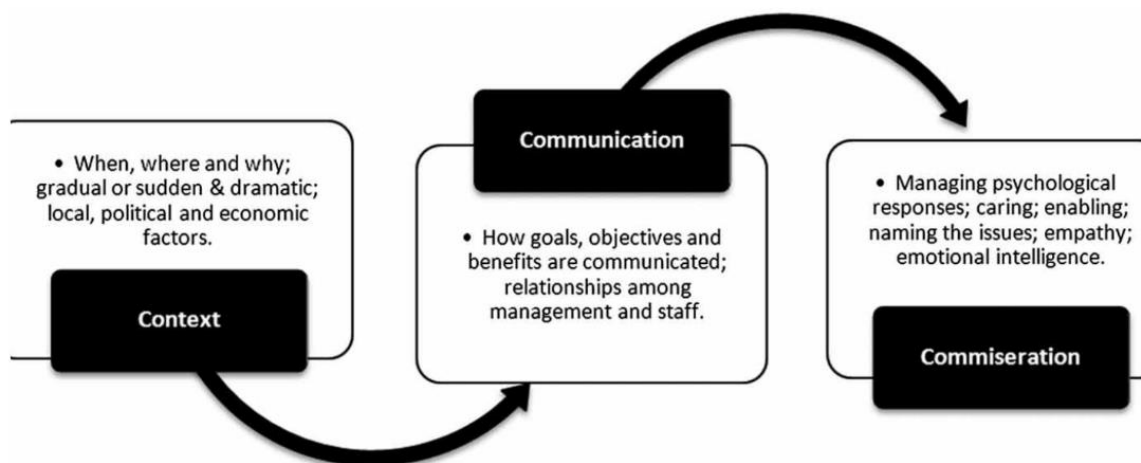


Figure 9- 3C principles of change management (Clarke, 2013)

## Chapter 4: EXPLORATORY CASE STUDY AND DISCUSSION

From 4.1 on the Henkel structural organizational structure:

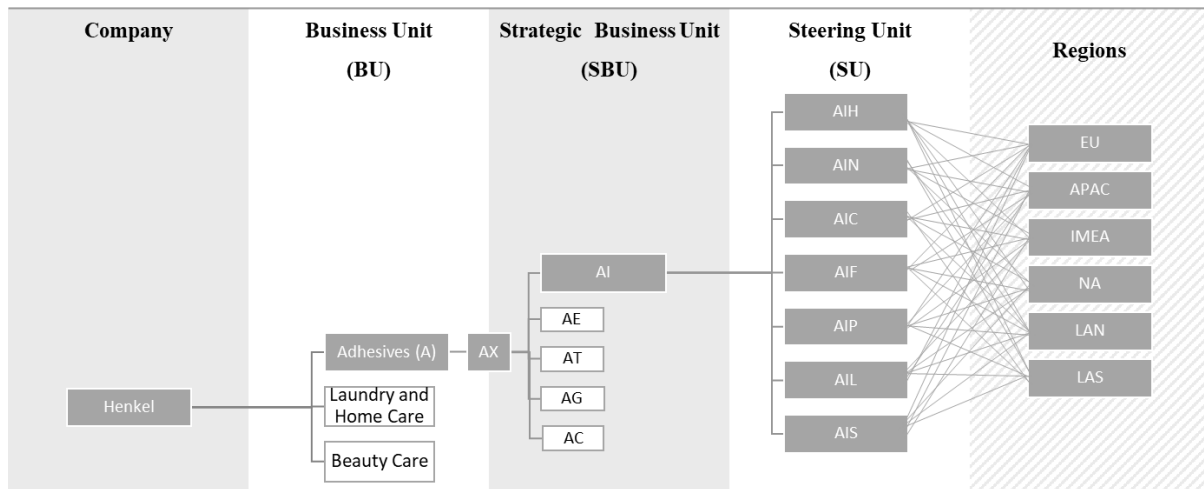


Figure 10- Henkel's structure complexity

From 4.2 on the AI organizational complexity:

AI SBU/Region complexity matrix							
SBU/Region	EU	APAC	IMEA	NA	LAN	LAS	Global
AIH	X	X	X	X	X	X	
AIN	X	X	X	X	X	X	
AIC	X	X	X	X	X	X	
AIF	X	X	X	X	X	X	
AIP	X	X	X	X	X	X	
AIL	X	X	X	X	X	X	
AIS	X	X	X	X	X	X	
<b>AI</b>							<b>=42</b>

Figure 11- Henkel's AI complexity matrix

From 4.4 on integrating Henkel's stakeholder matrix into the framework application:



Figure 12 - Henkel's stakeholder matrix model

## ANNEX B – Interviews

### Interview 1

#### PROTOCOL:

- Interviewee: Corporate Director Corporate Communications at Henkel AG & Co. KGaA
- Interviewer: Mariana Soberano
- Date and Time: 18/07/2018, 10:00AM
- Location: Henkel AG & Co. KGaA Headquarters (Düsseldorf, Germany)

#### OBJECTIVE AND TOPICS COVERED:

This interview was conducted with the objective of validating, within Henkel, the theoretical assumptions taken by the researcher for the designing of the framework proposed. For this, the interviewer covered the following topics: *most important aspects of a change communication for Henkel; why do projects fail; how to plan the communication; theoretical change management methodology followed; impact of the organizational structure and culture in the communication of a project; how to communicate a specific work stream within a project (with communication of its own); what are the biggest challenges with communication at Henkel.*

#### Adapted transcript:

- What are the most important aspects of a change communication for Henkel?

Being clear on the communication objectives and the outcome of the communication on the change project is very important. And what we normally do is, we try to have a clear stakeholder matrix so that we have a definition of the key target groups - in these change projects normally the target groups are all internal target groups - and that we are clear about the different, let's say, points of departure of the different target groups. What are the key messages to reach them? What is the desired outcome? Normally it's a change in behaviour, so what is the change in behavior we would like to achieve? And then how to communicate to them, how to reach them, with which channels for example. And normally in a huge company like Henkel you have different stakeholder groups on different levels, like senior management and normal employees, finance related employees, or other employees with a different scope of being effected from the change. I think that kind of stakeholder mapping is very crucial to derive a specific communication based on that.

What is always very very important from a communication point of view, if you talk to project leaders, to be clear about the difference of change management versus change communication, because sometimes project leaders tend to mix it up and try to - how can I express it – try to cover with nice communication structural gaps in the project. That is something that, I am as a communication expert, always consulted that we are clear about what are structural changes which are necessary and what is the, let's say, communication surrounding it. But you cannot compensate with communication if you have a structural problem which you don't take on, you know, that's very important because people say “oh it's just a question of good communication”. That's not always the case.

What is also important is that the project leaders tend to underestimate the need for communication. Because once you decide that “now we start in the communication phase”, for them the project is already old or very familiar. So they always underestimate the need for communication. And if we normally say to project leaders “if you can't hear it anymore, it's probably the first step that the people tried to understand or really can understand”. Because you have to hit the same target several times with the messages on the project. And what is very important is that if you then communicate with the people to identify different ambassadors. Sometimes within each group, but sometimes it helps to have overarching change ambassadors, like a kind of accelerating group within a change project. So that's always a kind of amplifier of messages. And people, ideally on different layers of the organization with a huge network, they can help, let's say, amplify the messages and being credible. So if you use these ambassadors, they can really help to spread the message like influencers on social media for example. So that's also important when it comes to internal communications. Regarding internal communications, there are different aspects like the channels of messages per se, the opinion leaders and so on. And, let's say, top management has to “walk the talk too”. So... Yeah, I could talk for hours about these different things.

- Why do change project often fail?

Coming to your question why change projects fail. I think a key prerequisite of important projects is that you are able to explain to the most effected people why they should change. What is the change story, and what is in for them. So what do they get out of the change. Because normally people tend to maintain a behaviour. If they have to change this is always an effort and they have to know why to change. So the basic is to create a convincing and compelling change story. A colleague of mine always said “if you want to convince people to



enter a bus and to ride with you to a certain destination, you have to be very clear what's written on the bus. If people don't know where the journey is going, why should they enter the bus with you?”. I like that comparison, because it makes it very very tangible to understand why you have to convince the people what's in it for them. And that is what I refer earlier to the stakeholder, you have to look at key stakeholders.

- How to plan the communication?

A project plan is normally derived in a way that you specify the communication either per target group or you could cluster it via time. That you say “okay in my first project phase - this would be also from change management or a project management point of view always good - whether you have the ramp up phase for the project, or you have the launch phase of the communication, then you have to maintain a higher awareness and so on. So where you are, from the different communications stages, is a different way how to design the communication.

- Is there any theoretical model most used at Henkel? (Taking a look at the Mapping of the pricing change process) would that make sense in this context?

I think every model, which is kind of referring to the main characteristics of a change process – what you just said “unfreeze, change, freeze” – we have different kinds of names for it, but basically this is how to reach a change in behaviour and therefore it definitely makes sense. Yes.

There is one German change expert, Kotter, who - I don't know whether you've heard that name - and he has a different, let's say, success factors of change projects. I think this is something which is almost like a blue print which we refer to all the time too, because it really is good in terms of change communication, to express the vision to have the ambassadors and communicate successes. I think these steps are listed there as well. This is for us really really an applicable tool to the business here, absolutely.

- What is the impact of the organizational structure and culture in the communication of a project?

You know, the organizational culture is not just a question of structure, but it's also a question of unwritten rules. And this is always very very difficult to capture, because... I think this is basically also a responsibility of HR and communication, to advise leaders in the right way to address the communication in a way that people really understand. So it's a question of how open there is dialogue in an organization, are the people, let's say, brave enough to speak out

loud if they have a complaint or if they have a major issue with that change, or this is something which is addressed at the ‘water cooler’ - you know what I mean. Depending on that culture, I think you have to come up with different means of communication. Is the target group more, let's say, senior/top management or older, to be addressed with more traditional communication channels, or are these young millennials and so on. So I think these are different ways of how to communicate with the target groups.

For example, when I relate to Henkel 2020+, when we came up with the communication we had different means of communication in order to make sure that we really affect all target groups on all management levels, whether they are more senior or millennials. And therefore we had the Henkel 2020+ related quiz, which was very entertaining very digital. We had the Henkel talks, which are kind of very inspiring. But we also have the traditional “Henkel Life” printed magazine, and had the traditional town hall meeting. So that you have a different assortment or portfolio of communication, depending on which target you would like to affect.

When it comes to hierarchy and the organization, for example if you refer to A (Adhesives) and the operating model, you have a very clear meeting structure in place. This allows you if, for example, your target groups are more in the senior management, you could go in the ExCom meetings, leadership team meetings or management team meetings, in order to make sure that the information is available there, and they have the proper information to communicate to their teams. This is also important when it comes to the structure. Actually, in all change processes here at Henkel we reach out to the top leaders and make sure that they are enabled with Powerpoint presentation, with talking points and with Q&A’s, so that they can take away the information and bring it into their team meetings and are able to answer questions. If there is a special information or commitment needed, then we do specific calls. (...)

- In POM’s case, there is an overarching project before it – the NRM. How should POM’s communication be framed in regards to this?

If you endorse a project as being derived from the overall strategy it helps the credibility and to understand the need for change. Therefore I would always try, if I would like to have people on boarded, to refer to the higher purpose - the higher purpose is strategy - so then there is a lot of storytelling behind it which you can refer to. And people know exactly that if you refer to that strategy what are the benefits of it and why do we do it. What is your purpose. And then you can embed your project into that. (...) So I would always recommend to do it. With A it's

a special case, since you have the Henkel 2020+ fund growth as the overarching strategy, then you have the A strategy in-between, as a translation of the corporate strategy into the A business. So it might make sense to somehow show that hierarchy of strategies.

- What were the biggest challenges you faced at Henkel in terms of communication?

Let's put it the other way, what are key success factors. Key success factors are: top management buy in. If top management is not behind that project, the internal target groups have a very strong sensitivity to feel if there is a gap between "walking the talk" and talking about this or doing things differently. So top management has to be behind it, has to be a credible, authentic, ambassador of the project.

Second important point is that you have a cross-functional project team steering the project. So that, for example, you have people from strategy, the project, from ExCom, from HR, so you have a comprehensive and holistic approach to it, from all dimensions.

Third key success factor is to never underestimate the need for communication. You know, sometimes top management says "but we did a town hall, why don't people get it". So we have to repeat and the messages and the change story has to be compelling and simple, not to be over complex that people don't understand what it is, and it's too much management talk and so on. Especially when it comes to a project like pricing.

And what is also important is that you address both the rational as well as the emotional part of the people. So that there is authentic leadership, that people really understand why they should follow and why they should change. And celebrating successes at the end it's always important. Because people want to see when they reach the end of a process or whether there is a challenge. As it is always important for people to understand where they are in the journey. So that they follow you. I think these are a couple of key success factors.

And if you ask me what were the biggest challenges, all of these key success factors in one or other project were not given for different reasons. And that turns out always into a challenge.

Honestly, major change processes and the communication around it, communication never stops. It really is based according to the stages of the change project. And as I said, if you start with the launch communication, the project leaders, for them, it's always already old information. That's why it's always important to remind project leaders why to communicate and what to communicate. Because they wonder why people do not get the information, for example.

## Interview 2

### PROTOCOL:

- Interviewee: Global Pricing Manager (POM Project Manager) at Henkel AG & Co. KGaA
- Interviewer: Mariana Soberano
- Date and Time: 19/07/2018, 11:30AM
- Location: Henkel AG & Co. KGaA Headquarters (Düsseldorf, Germany)

### OBJECTIVE AND TOPICS COVERED:

This interview was conducted with the objective of gathering enough information about the POM project to apply the framework. For this, the interviewer covered the following topics: *what, how, when and to whom has been the project communicated; how is the project structured, work streams and key stakeholders; how are the different work streams of the project managed.*

### Adapted transcript:

- *What has been communicated so far and to whom?*

#### *Stakeholders*

It's a huge project and it has had a lot of communication already, in certain parts. So to date, most of the communication channels or most of the communications were going through basically four channels. So for each step, there is something presented to the AI ExCom. Then there is something presented to the Global Marketing LTM which includes the global MDMs (meaning the Global Development Managers) and the regional marketing heads. Then there is always some communication to the global pricing team, to keep them updated. And then there is always some communications to the relevant stakeholders who will actually that work, for that particular work stream. So I would say I currently communicate primary to those four stakeholders or those are the Groups that within AI who received communication.

#### *Channels*

On an overarching level, AX is leading that on the whole NRM project. In the town hall that we had in Dusseldorf, in the publishing of the full year results and looking forward, Jan Dirk has presented that we're working on this NRM project. Then, there has been in the Lobby here, a movie running, constantly talking about it for all employees who entered the building,

basically. Then there is a website created for NRM that's again publicly available to any Henkel employee. Not a lot of information, but that's where this overarching story is being published. And I've cascaded the link to that website basically to all the four stakeholder groups that I just previously mentioned.

### *Timeline*

So the town hall was in Q1 2018. The lobby and the setting up the website and the communication of that was Q2 2018. So that was done on a higher level. Now, I'm sure that on top of this there was more communication done coming from the AEC. So that's the Adhesive Executive Committee. And then probably there was some initial information cascaded to the AI ExCom, but since I wasn't the one doing that, I don't know exactly what was done there.

So now let's go into then the steps that have taken so far on the work streams and then related to that, there were communications. So the first one, towards the Q4 2017, was during the concept development of the pricing operating model. So there, the high level concept was presented to the ExCom. That high level concept was also presented to all the first three stakeholder, so ExCom, global marketing team and global pricing team.

So the concept of the pricing operating model itself was presented on a high level. So the purpose of that was to get the sign off from the teams and to, of course, give information to everybody. And this was all done in Q4, 2017. There was also some resource estimates presented, that helped to communicate the future next steps.

### *- How is the project structured?*

The NRM, has 4 modules. The first one is the analytics pilots or analytics. The second one, the pricing operating model. The third one is data and systems, so that's all the pricing tool and structure we need to have in place to be able to run analytics and support the pricing operating model from systems perspective. And the fourth one is change management and capability building.

So all the communication today that has been done, were primarily, of course done in the analytics pilots, because that was the first part we kicked off. And then some on the pressing operating model related to the work that we're doing for example for master data and things like that.

So the context is always "this is the pricing operating model that we would like to implement, within the NRM project". The pricing operating project implementation has basically three steps: prerequisites, then setting it up and then finally fully implementing it. This is what I always communicating in terms of context. So the prerequisite work, that is the foundation for everything else, to be able to implement it. One of the prerequisites work is to be able to get clean master data and so that is why we need to do this, as the foundation for the pricing operating model.

### *Master Data*

The very first communication on master data was when I presented the concept [of the pricing operating model] and in the same time a resource estimate for all the future that we're going to need to do. It was already highlighted that the regional teams would have a big workload on this. So it was last Q4 2017 that this was first discussed. Then in the global marketing LTM in January. Again, it was flagged that this work will be coming, so regions please prepare and we reviewed the resource estimate that we would need for this project.

So the project was officially kicked off in AI in June, end of May this year, and there I had first a call, with all the global MDMs and separately all the regions, altogether to give them some context. Then we made some modification to the scope and how we are going to do this. And then following that in the first week of June I had a call with each region, but not only the region head, but also the people in the region that will be doing this work. So in this case, in the case of master data, the stakeholders that are specific to this particular work are the regional PLMs, the regional MDMs, so regional marketing managers, and in some regions, they also involve the regional product development teams. So PDs.

Until that point, they did not know anything, but at this kick-off meeting, the whole agenda of the kick-off was, "okay, let's go back to basics. What is it that we are doing here? What is the context of the pricing operating model? Why are we doing the pricing operating model? What is the change that we want to achieve by the end? What is this three year timeline that we're talking about? What is the pricing at very high level pricing strategy, concept, and so to be able to do this, what is it that we need to do?" and highlighted that, "okay, it's the master data that is the crucial cornerstone of the whole thing".

### *Stakeholders involved*

So they were, as I mentioned, six regional calls, with the stakeholders I mentioned, first week of June and parallel to that there is always monthly at least communication to the global pricing team and the global marketing team to keep them updated on the progress and if there is any block or anything, because actually the managers of these people are sitting in the global marketing LTM. So if I experienced any pushback or any road blocks, I would bring it to the global LTM, which I haven't. And I think it's because we started the communication in the last like nine months ago. So I know other SBUs are really struggling getting buy-in from the regions to do this work and I did not receive a single push back. It's been going really smooth. So that's master data first phase.

There may be a second phase which will be kicked off in September and for that I will probably repeat exactly the same process that I took for the first part. So there will be again, basically with each and every region there will be a kickoff call where I will explain the whole context why it's important and what are the new fields that we need to clean and it will be done at a different level. Different fields. I think it's going to be exactly the same people [stakeholders]. And until then there will be constant communication with the global marketing team because the global MDMs, so the global market managers, they need to provide me input prior to that September kick-off, so they are being constantly reminded and inform that they need to provide the input and otherwise you won't be able to kick-off the second phase. So at the moment that communication is being done in this global marketing meeting and in addition to that I also send them two or three emails summarizing where we are today, what is the process, kind of what is going to be their role, what they need to do by September to make it work.

*How to deal with the different workstreams within the project?*

To me, that's why it was hard to put it like this “communication plan” because there's an overarching communication, but each work stream has a different group of stakeholders. You can call it NRM or POM implementation in general over the three years, and that whole storyline, but to get there, there's a lot of little work streams running at each time, I mean there are some overlaps between the stakeholders and the core first three groups of stakeholders. So ExCom, global marketing and pricing is always the same. Like they are always kept up to date over the overall story about each work stream. But then within a work stream, there's always a specific group of stakeholders. It is different. There is some linkage made, but there is not a lot of overlap between the specific stakeholders beyond those teams that I have talked about.





## ANNEX C - Deliverables

### Deliverable 1 – Framework for the implementation of innovative pricing strategies

« PROJECT NAME »													
Date: <span style="border-bottom: 1px solid black; display: inline-block; width: 50px;"></span> / <span style="border-bottom: 1px solid black; display: inline-block; width: 50px;"></span> / <span style="border-bottom: 1px solid black; display: inline-block; width: 50px;"></span>		Stakeholder Mapping				Timeline and Frequency							
<b>Change Management</b>  Awake, lead and convince  Cultivate and empower  Reinforce and consolidate		<b>Awake, lead and convince</b> 1) Create and convey the need and the urgency for change 2) Convince and inspire (create, shape and develop the vision) 3) Create a guiding coalition (lead and role model)				<b>Cultivate and empower</b> 1) Communicating the vision 2) Mobilize commitment 3) Empowering people for the change				<b>Reinforce and consolidate</b> 1) Generate short time wins 2) Support the change with systems and structures 3) Monitor and perpetuate change			
		<b>Awake, lead and convince</b> 1) Create and convey the need and the urgency for change 2) Convince and inspire (create, shape and develop the vision) 3) Create a guiding coalition (lead and role model)				<b>Cultivate and empower</b> 1) Communicating the vision 2) Mobilize commitment 3) Empowering people for the change				<b>Reinforce and consolidate</b> 1) Generate short time wins 2) Support the change with systems and structures 3) Monitor and perpetuate change			
		<b>Awake, lead and convince</b> 1) Create and convey the need and the urgency for change 2) Convince and inspire (create, shape and develop the vision) 3) Create a guiding coalition (lead and role model)				<b>Cultivate and empower</b> 1) Communicating the vision 2) Mobilize commitment 3) Empowering people for the change				<b>Reinforce and consolidate</b> 1) Generate short time wins 2) Support the change with systems and structures 3) Monitor and perpetuate change			
		<b>Awake, lead and convince</b> 1) Create and convey the need and the urgency for change 2) Convince and inspire (create, shape and develop the vision) 3) Create a guiding coalition (lead and role model)				<b>Cultivate and empower</b> 1) Communicating the vision 2) Mobilize commitment 3) Empowering people for the change				<b>Reinforce and consolidate</b> 1) Generate short time wins 2) Support the change with systems and structures 3) Monitor and perpetuate change			
		<b>Stakeholder Mapping</b> A1 Message: Channel: C B1 Message: Channel: A2 Message: Channel: C B2 Message: Channel: A3 Message: Channel: C B3 Message: Channel: C1 Message: Channel: D D1 Message: Channel: C2 Message: Channel: D D2 Message: Channel: C3 Message: Channel: D D3 Message: Channel:				<b>Timeline and Frequency</b> 1Q 1Y 2Q 1Y 3Q 1Y 3Q 1Y 4Q 1Y A1 A2 A3 B1 B2 B3 C1 C2 C3 D1 D2 D3							
		<b>Stakeholder Mapping</b> A1 Message: Channel: C B1 Message: Channel: A2 Message: Channel: C B2 Message: Channel: A3 Message: Channel: C B3 Message: Channel: C1 Message: Channel: D D1 Message: Channel: C2 Message: Channel: D D2 Message: Channel: C3 Message: Channel: D D3 Message: Channel:				<b>Timeline and Frequency</b> 1Q 1Y 2Q 1Y 3Q 1Y 3Q 1Y 4Q 1Y A1 A2 A3 B1 B2 B3 C1 C2 C3 D1 D2 D3							
		<b>Stakeholder Mapping</b> A1 Message: Channel: C B1 Message: Channel: A2 Message: Channel: C B2 Message: Channel: A3 Message: Channel: C B3 Message: Channel: C1 Message: Channel: D D1 Message: Channel: C2 Message: Channel: D D2 Message: Channel: C3 Message: Channel: D D3 Message: Channel:				<b>Timeline and Frequency</b> 1Q 1Y 2Q 1Y 3Q 1Y 3Q 1Y 4Q 1Y A1 A2 A3 B1 B2 B3 C1 C2 C3 D1 D2 D3							

**Instructions:**  
 - to be fill in with information  
 - informational/guidance  
 - informational/guidance  
 Any question contact: project leader

Stakeholder group:	Stakeholders Name/Function:	Comments:
A)		
B)		
C)		
D)		

Figure 13- Final framework for the implementation of innovative pricing strategies

## Deliverable 2 – Change Implementation (communication approach)

### IMPLEMENTING CHANGE (communication approach)

CHANGE AREA	CHANGE STEP	CRITICAL ISSUES	SOLUTIONS	COMMUNICATION LEVEL AND ACTION
<i>Awake, lead and convince</i>	<i>Create and convey the need and the urgency for change</i>	- Executives overestimate their success in conveying urgency (Kotler, 1995)	- Manufacture a crisis: "make the status quo seem more dangerous than launching into the unknown" (Kotler, 1995) - Remember and remind how "the cost of doing nothing is not zero" - there is a cost to not change (Hinterhuber, 2017)	<b>Informational:</b> - Create awareness to the current problem that urges solving - Build up understanding regarding the hazards of not changing
	<i>Convince and inspire (create, shape and develop the vision)</i>	- People are intrinsically reluctant to change (ChePa, 2017) - Executives underestimate the difficulties of driving people to change (Kotter, 1995)	- Share success cases from key partners (Shafer, 2017) - Promote conferences so attendees hear learnings from other business segments, not just from the central function who is sponsoring the change (Shafer, 2017) - Be conscientious and transparent about the biases of the change (Shafer, 2017)	<b>Informational:</b> - Build up understanding on the benefits of the approach chosen to solve the problem <b>Emotional:</b> - Network building among project supporters - Incentive to join the vision through success cases from other projects or companies which undergone similar changes
	<i>Create a guiding coalition (lead and role model)</i>	- Executives lack patience (Kotter, 1995) and/or confidence - Individuals in charge are not great leaders (Kotter, 1995) - Lack of ownership	- Choosing and/or training 'change champions' (Thompson, Estabrooks & Degner, 2004)	<b>Education:</b> - Qualification of people to lead the change - Culture and mission statement immersion for stakeholders chosen to lead the project <b>Emotional:</b> - Network building on a executive/leading level
<i>Cultivate and empower</i>	<i>Communicating the vision</i>	- Miscommunicating and/or undercommunicating the vision (Kotter, 1995) - Misalignment in management objectives (Liozu, 2014)	- Frequent communication in multiple channels - Communication specific according to each stakeholder	<b>Informational:</b> - Build up understanding on the vision
	<i>Mobilize commitment</i>	- Lack of cooperation between departments (ChePa, 2017) - Scepticism from the stakeholders (Kotter, 1995)	- Communicate through behaviour by giving the example	<b>Emotional:</b> - Network building between departments - Incentive to act on the change
	<i>Empowering people for the change</i>	- Lack of incentive schemes and guidelines (Liouzo 2011)	- Available trainings and people development (Keller and Price) - Implementation support (Keller and Price)	<b>Educational:</b> - Training and people development to act on the change - Qualification and support of the people during the change
<i>Reinforce and consolidate</i>	<i>Generate short time wins</i>	- Buy in is lost without compelling evidence of the improvements created by the change (Kotter, 1995)	- Communicating success cases and provide learnings from the experience	<b>Informational:</b> - Create awareness on the improvements made in each step of the project <b>Emotional:</b> - Manipulation to ensure the continuing of the carried out work (maintain buy-in)
	<i>Support the change with systems and structures</i>	- Inadequacy of the systems in place - Slowness of the new systems implementation	- Coordination between people and systems	<b>Informational:</b> - Message of development of new systems <b>Educational:</b> - Trainings on how to use the new systems
	<i>Monitor and perpetuate change</i>	- Declaring success too soon (Kotter 1995)	- Keep reinforcing the new behaviours as part of the organisations culture	<b>Informational:</b> - Message of development of the project and milestones <b>Emotional:</b> - Incentive to keep the change alive

Figure 14- Change implementation step by step (communication approach)

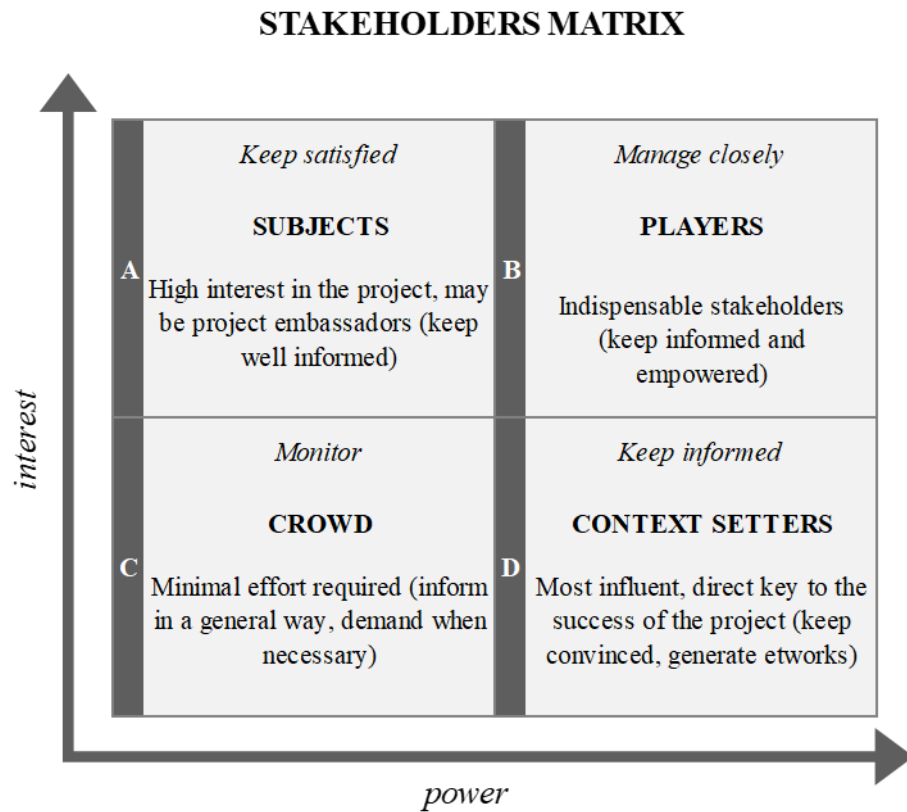


Figure 15- Stakeholder matrix



## ANNEX D – Applied Framework

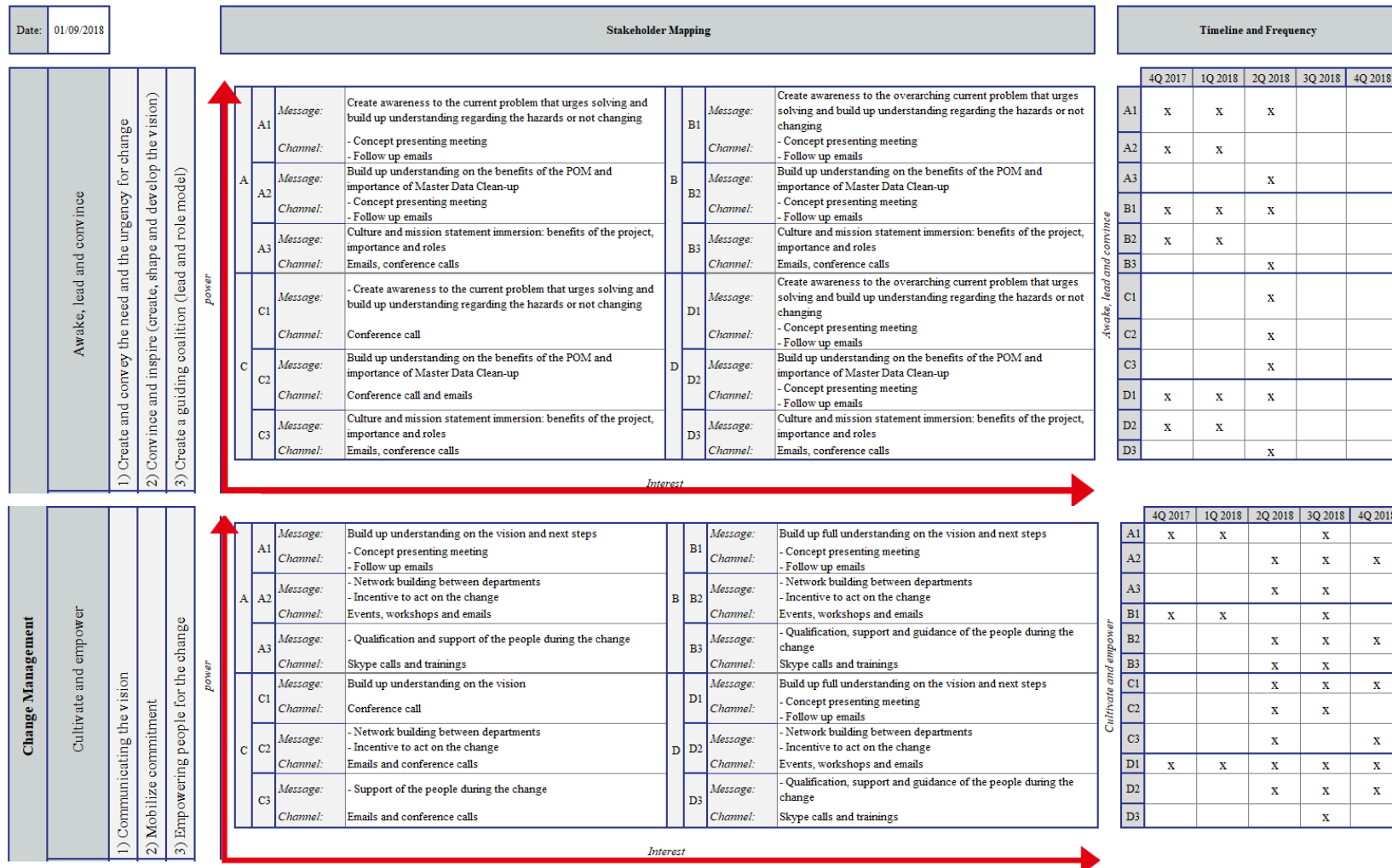


Figure 16- Snapshot of the framework adapted and applied to the POM's work stream (developed by the researcher)

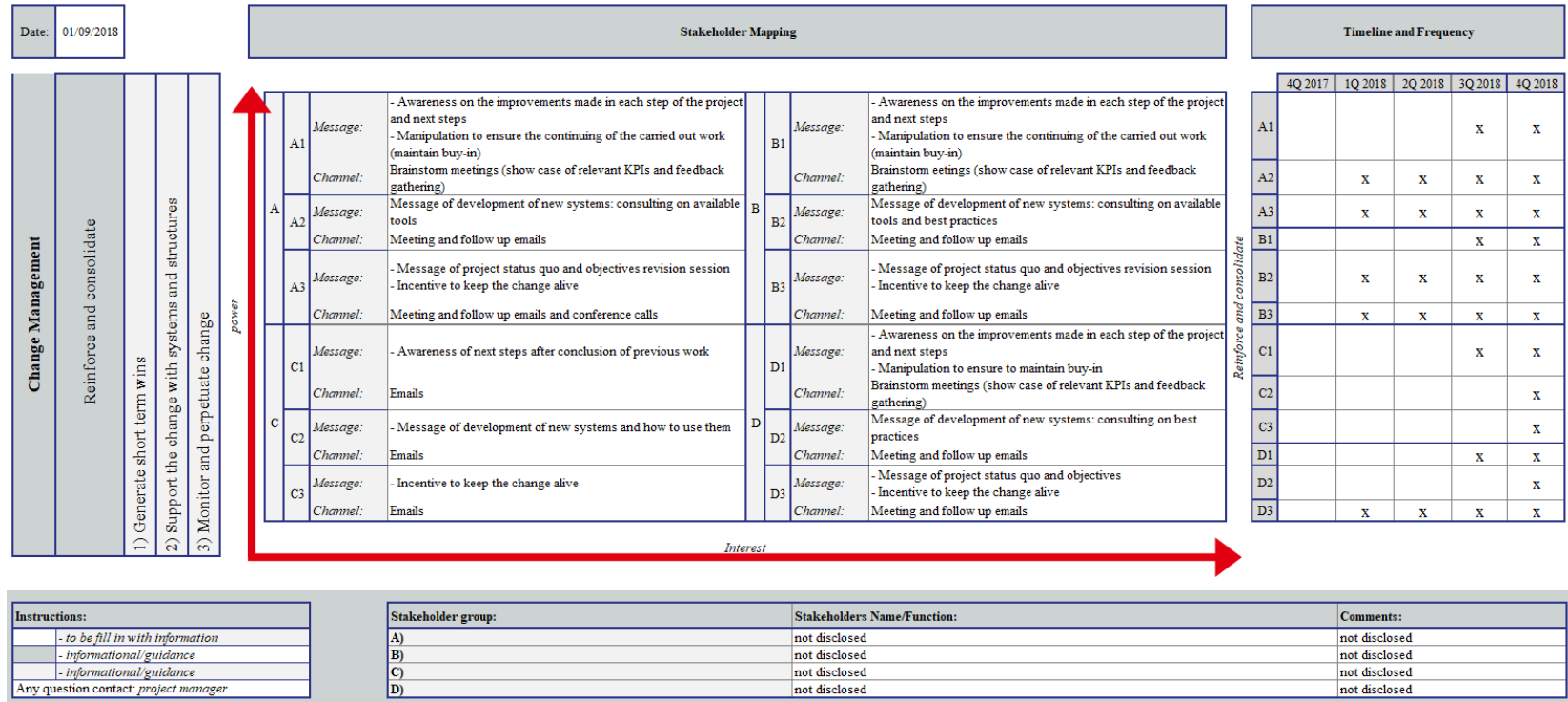


Figure 17- Snapshot of the framework adapted and applied to the POM's work stream (developed by the researcher) (continued)

Notes:

- Figure 15 and 16 of this Annex display only snapshots of the result of the framework applied to the Master Data Clean-up work stream of the POM project. For a view on the full framework skeleton, please consult the Deliverables in Annex C.
- As it is visible, the changes mentioned in the framework review were already added in this version of the tool (in particular, the steps within the Change Management area). In addition, the framework colours were changed to match the colour scheme in use by Henkel.